BENEFICIAL CORPORATION ANNUAL REPORT 1985

Beneficial's goal is to achieve superior profits by expanding our financial services franchise, meeting consumers' needs with quality credit, deposit and insurance products.

Years Ended December 31	1985	1984	1983	% Increase (Decrease) 1985 over 1984	% Increase (Decrease) 1984 over 1983
(in millions)					
Net Income					
Consumer Finance Group	$ 118.4	$ 111.7	$ 96.1	6.0	16.2
Insurance Group	5.0	1.9	18.2	163.2	(89.6)
Less Corporate Expenses	(23.5)	(23.9)	(24.2)	(1.7)	(1.2)
Income From Continuing Operations	99.9	89.7	90.1	11.4	(.4)
Income From Discontinued Operations	1.3	16.6	15.5	(92.2)	7.1
Net Income	101.2	106.3	105.6	(4.8)	.7
Earnings Per Common Share					
Continuing Operations	3.76	3.27	3.26	15.0	.3
Discontinued Operations	.06	.75	.70	(92.0)	7.1
Net Income	3.82	4.02	3.96	(5.0)	1.5
Dividends Per Common Share	2.00	2.00	2.00	—	—
Revenue	2,059.0	1,804.6	1,581.9	14.1	14.1
Shareholders' Equity at End of Year*	1,042.0	992.8	953.0	5.0	4.2
Principal of Finance Receivables**	6,119.5	5,367.5	4,884.3	14.0	9.9
Average Account Balance**	2,379	2,335	2,313	1.9	1.0
Reserve for Credit Losses as % of Principal of Finance Receivables**	3.83%	3.96%	4.21%	(3.3)	(5.9)

*Includes Redeemable Preferred Stock of $108.3 at December 31, 1985 and $125.0 at December 31, 1984 and 1983.
**At end of year.

For Beneficial Corporation, 1985 was a year both of major strategic progress and of good earnings improvement in our on-going basic businesses. In December we completed the sale of Western Auto Supply Company, thereby concluding our program of divesting subsidiaries not consistent with our strategic thrust and clarifying our focus as a pure financial services company. In addition, through substantial reserve building and the arrangement of significant reinsurance transactions behind us, we succeeded in mitigating the future negative earnings impact of our property and casualty reinsurance operations. We have exited from the reinsurance market, and new exposure reinsurance premium writings are expected to continue their rapid decline. Beneficial Corporation is now specializing single-mindedly on what we do best—providing a broad array of financial services to consumers.

Restated for the divestiture of Western Auto, earnings from continuing operations rose 11% to \$99.9 million from \$89.7 million in 1984. Comparable earnings per share increased 15% to \$3.76 from a restated \$3.27 for the prior year. Total net income, including Western Auto's operating results and loss on disposal, was \$101.2 million, down from \$106.3 million in 1984. Earnings per share were \$3.82, compared to \$4.02 a year earlier.

Earnings of our core business, the Consumer Finance Group (CFG), increased for the fourth consecutive year to a record \$118.4 million from \$111.7 million in 1984. Insurance Group earnings, despite very substantial reserve building for the property and casualty lines, increased to \$5.0 million from \$1.9 million a year earlier. Moreover, and of prime importance, the groundwork has been laid for substantial earnings gains for the Insurance Group over each of the next several years.

Finn M. W. Caspersen

1985 was a transitional year for the Beneficial Insurance Group (BIG). Under a new top-management team, supported by realigned and expanded middle-management ranks, the Insurance Group made great progress toward mitigating the risk of future loss exposure resulting from our previously-written property and casualty reinsurance business. Concurrently, the BIG management team made major strides in refining and strengthening our powerful consumer credit insurance and annuity businesses. It also began development of other profitable personal line products that will enable the Beneficial Insurance Group to

reestablish itself as a highly profitable consumer insurance business, offering a broad line of retail insurance products.

Our primary corporate strength remains in consumer credit. Our customer franchise, built over our 72-year history of lending to consumers, is a very valuable corporate asset that we intend to nurture carefully. With more than $6 billion in receivables outstanding and over two million customers, we are one of America's largest diversified consumer lenders. Our exceptional ability to originate both high-yielding and high-quality consumer loans is at the very heart of our enterprise, and is the prime reason why the Consumer Finance Group generates a net aftertax return on average receivables in excess of 2%. In the future we plan to concentrate on this, our basic business, expanding its focus only with the insurance, deposit, and other complementary financial services that build profitable and enduring relationships with our customers.

Our customer franchise, built over our 72-year history of lending to consumers, is a very valuable corporate asset that we intend to nurture carefully.

Strategically, we are extremely well positioned to compete in the consumer financial services marketplace. We provide a variety of financial products and services to the consumer through three main marketing channels. The cornerstone of our distribution system is the 1,118 outlet consumer loan office network in the United States and three foreign countries. Through this office network we provide financial services, including credit, insurance, and tax preparation, to consumers on a personalized, face-to-face basis.

Equally valuable strategically is our primary consumer bank, Beneficial National Bank USA, which provides bank credit card, deposit, insurance, and related financial services by mail to over one million customers nationwide from its Wilmington, Delaware location. While BNB USA is, by far, our largest banking operation, other banking activities are conducted by our full-service commercial banking subsidiary in Delaware, our federal savings bank in Florida, and by other consumer thrift units in the United States and the United Kingdom. Deposit gathering provides a means of strengthening our relationship with our customers and is an attractive alternative source of funding for Beneficial Corporation.

Finally, we wholesale financial services (such as insurance and tax preparation services) to the customers of other financial institutions and retailers as well. Through our insurance subsidiaries we are able not only to sell, but also to underwrite insurance products directly.

Few competitors in the consumer financial services marketplace have, under one roof, the ability to offer such an extensive array of products through a diversity of marketing distribution channels. Our main task in the future is to continue to maximize the profitability of each individual unit, as well as to optimize the cross-selling opportunity of our products across the spectrum of our total customer base.

As indicated by the divestiture of our consumer lending operations in New Zealand and Ireland during the year, we remain committed to examining closely the profitability of each segment of our operations, down to the local office level, to ensure that all meet our profitability goals and

offer an opportunity for future growth and competitive advantage.

The year was also marked by significant investments in several areas central to our future success. Increased expenditures for marketing reflect the hiring of a team of experienced professionals who, armed with significantly improved market research about our customers, have embarked on a national advertising campaign to refine and differentiate Beneficial's image in the minds of consumers, particularly those consumers who do not have a relationship with us currently. Significant amounts were also invested in upgrading our current on-line data processing system to a new state-of-the-art computer software and hardware system which will enable us to distribute, simply and more efficiently, a broader array of financial services products to the consumer through the loan office system.

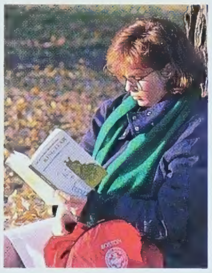
Financial services is "a people business." The quality of service for sales and support, product innovation, and the efficiency of delivery are linked directly to the quality and commitment of our people. People hold the key to our ability to capitalize on strategic opportunities in the marketplace; they are the primary element in our ability to compete now and in the future. Consequently, we have expanded our training activities, both related to product knowledge and management skills. Also, we have concentrated on increasing the depth of Beneficial's management team, both through promoting talented executives internally, and by hiring selectively from other major financial services companies.

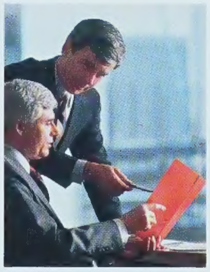
As stated on the cover of this report: our goal is to achieve superior profits by expanding our financial services franchise, meeting consumers' needs with quality credit, deposit, and insurance products. We are confident that the right tools are assembled and the right people are in place to fulfill this goal, and we are confident that the result will be increased earnings in future years.

We are gratified that the Corporation's performance and the future value of our business were well recognized by the financial markets during 1985. Our debt issues were well received and the price of our common stock rose 44% during the year. This is a tribute to the efforts of our dedicated employees to whom we extend our sincere gratitude. Moreover, we thank you, our shareholders, for your continued support. Through strong corporate earnings growth in future years, we plan to increase significantly the value of your investment.

Finn M. W. Caspersen

Chairman of the Board
and Chief Executive Officer





Beneficial Corporation is one of the world's leading consumer financial services companies. We serve consumers through three basic businesses: consumer credit, banking, and insurance.

Pages 6 and 7 describe how Beneficial provides 2 million customers worldwide with consumer credit products, striving to provide the best personalized service. Pages 8 and 9 explain Beneficial's banking services offered through our consumer bank, our full-service commercial bank, and our savings and thrift institutions. And on pages 9 and 10, learn about our consumer insurance products.

Since 1914, consumer credit has been our business and continues to be our basic strength. Today, Beneficial Corporation has over $6 billion in receivables outstanding and serves over 2 million customers. We offer credit products through our 1,118 offices in the United States, Canada, the United Kingdom, and West Germany. This extensive office network enables Beneficial to provide excellent personalized service, including prompt credit decisions, flexible terms, and a wide array of credit products.

Beneficial extends credit on both a secured and unsecured basis. We provide first and second residential mortgages on a fixed or variable-rate basis. We offer the popular revolving line of credit secured by the equity in a borrower's residence. Customers can access available credit at economical rates by writing a check drawn on Beneficial National Bank or, in certain parts of the country, draw on their credit line through an ATM network. Consumers can also obtain an unsecured loan at Beneficial on a fixed-term or revolving credit basis.

Under the name Bencharge Credit Service, we purchase sales finance contracts from merchants through our loan offices and on a centralized basis. A growing portion of these accounts are private label retail revolving charge cards provided for national and regional retail chains, such as Radio Shack-Canada and Handy Andy Home Improvement Stores. Sales finance accounts continue to be an important source of new customer relationships for Beneficial.

Unsecured Personal Loans

Unsecured Revolving Credit Accounts

Second Mortgages

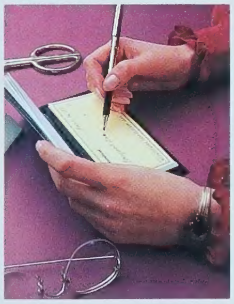
Second Mortgage Revolving Credit Accounts

First Mortgages

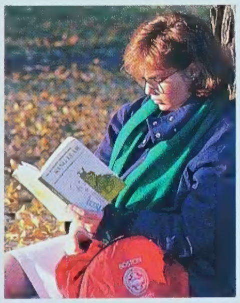
Sales Finance Contracts

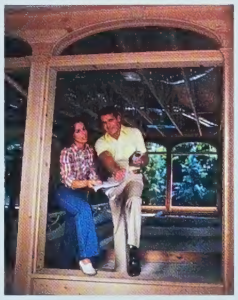
ATM—Cash Access

Income Tax Preparation Service



Concentrating on providing the best personalized service and meeting each customer's individual needs, Beneficial offers a variety of secured and unsecured credit products offering variable or fixed rates on either a revolving or fixed-term basis.





Beneficial provides banking services through: Beneficial National Bank USA, a consumer bank; Beneficial Savings Bank, F.S.B., a federally-chartered savings bank in Florida; Beneficial National Bank, a Delaware-based full-service commercial bank; and various other savings and thrift units.

Beneficial National Bank USA ranks among the largest issuers of bank credit cards in the U.S. Nearly 60% of the Bank's outstandings are premium bank card accounts (requiring a household income in excess of $40,000 annually), with the remainder of the portfolio in standard cards. New cardholders are obtained through a sophisticated direct response program, as well as through selective acquisitions. We began a deposit program in 1983 and are pleased with our customers' response. BNB USA had $116 million in FDIC-insured deposits at year-end 1985.

Beneficial obtained a federal savings bank charter in 1985 and opened branches in Orlando and Tampa during the year. A wide variety of deposit, transaction, and credit services are provided.

Beneficial National Bank is a full-service commercial bank located in Wilmington, Delaware. This bank meets the needs of businesses and consumers in the Wilmington area and acts as Beneficial Corporation's primary cash management bank, handling concentration and disbursement of funds for our domestic operations.

Standard Bank Credit Cards

Premium Bank Credit Cards

Savings Accounts

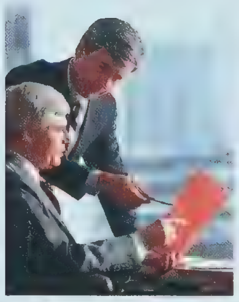
Checking Accounts

Individual Retirement Accounts

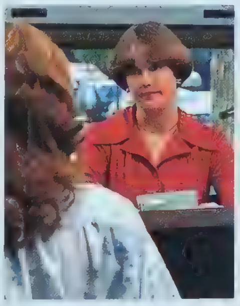
Certificates of Deposit

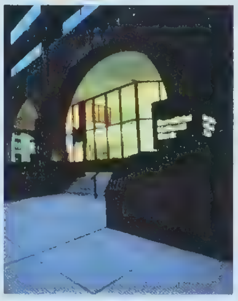
Keoghs

Cash Management Services



Consumer banking services, including a variety of savings instruments, checking accounts, and credit cards as well as other consumer credit products, are marketed through our banking, savings, and thrift units.





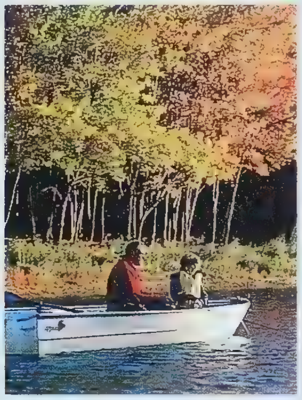
Beneficial Insurance Group underwrites a wide variety of consumer insurance products. It is a full-line credit insurance writer offering life, accident and health, and property coverages. Credit-related products are distributed through Beneficial consumer credit offices, as well as through unaffiliated finance companies, commercial banks, thrift institutions, automobile dealers and distributors, and other retailers. Credit life and disability insurance are available to consumers as part of virtually any type of credit transaction. The borrower chooses this protection against loss related to the death or disability of the borrower and to the loss or damage of property.

Beneficial Insurance also markets non-credit life and annuity products. Western National Life Insurance Company, our primary annuity writer, ranks among the leaders in the structured settlement annuity business. Structured annuities are usually sold to casualty companies for the settlement of disability claims. Western National also has a strong position in flexible annuities and conventional single premium deferred annuities, which are areas central to Beneficial Insurance Group's growth strategy. We currently market term and whole life products and are developing an interest-sensitive life product.

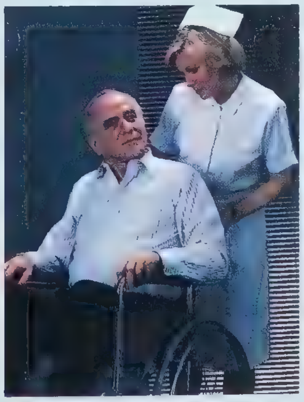
During 1985, Beneficial Insurance began test marketing a homeowners insurance product to Beneficial consumer credit customers. Plans are in place to test market an IRA annuity product through our consumer credit distribution system during the 1986 tax season.

I N S U R A N C E

- *Credit Life & Disability*
- *Credit Property*
- *Individual Term Life*
- *Whole Life*
- *Single Premium Deferred Annuities*
- *Flexible Premium Deferred Annuities*
- *Structured Settlement Annuities*
- *Homeowners*
- *Household Contents*
- *Mortgage Life*
- *Mortgage Disability*
- *Vendors Single Interest*
- *Group Term Life*
- *Group Accidental Death*
- *Group Accidental Death and Dismemberment*
- *Supplementary Health*
- *Travel Accident*



Beneficial Insurance Group provides a wide array of coverages for consumers to protect them from loss related to death, disability, injury, and property damage. Additional products are being explored to provide even greater options for our customers.



In summary, Beneficial Corporation is one of the world's leading consumer financial services companies, concentrating on consumer credit, banking, and insurance.

Consumer credit is the cornerstone of Beneficial's business and the basis of the Company's market franchise. Credit products are provided to consumers through our 943 U.S. offices and 175 offices located in Canada, the U.K., and West Germany.

We have accumulated considerable direct response marketing expertise, for both credit and deposit products, through our consumer bank, Beneficial National Bank USA, one of the nation's largest issuers of bank credit cards. Beneficial also offers banking services through our commercial bank, a federal savings bank, and other consumer banking and thrift units.

The Beneficial Insurance Group provides consumer life, annuity, accident and health, and property and casualty insurance coverages, through Beneficial's credit and banking subsidiaries, unaffiliated financial institutions, automobile dealers, and through direct mail and telemarketing.

Beneficial's goal is to achieve superior profits by expanding our financial services franchise, meeting consumers' needs with quality credit, deposit, and insurance products.

Sale of Western Auto clarifies our focus as a pure financial services company.

Earnings per share from continuing operations increase 15%.

Consumer Finance Group earnings increase for the fourth consecutive year, to a new record.

Insurance Group earnings increase as excellent credit insurance and annuity earnings offset property & casualty reinsurance losses.

Increased reserve capacity reduces continued exposure to property & casualty reinsurance risk.

Review of Fourth Quarter Results

Beneficial Corporation's fourth quarter earnings from continuing operations increased 15% to $24.8 million from $21.6 million for 1984. Comparable earnings per share were $0.93 for the 1985 fourth quarter, up 18% from $0.79 for the prior year.

Despite an increase in advertising expense to $11.7 million in the 1985 quarter from $3.3 million a year earlier, fourth quarter Consumer Finance Group earnings increased to $26.7 million, from $26.3 million reported in the 1984 quarter. The Group continues to benefit from receivables gains and good credit quality. Net income for the Insurance Group was $3.0 million for the 1985 fourth quarter, up from $1.5 million in the prior year period. The 1984 quarterly earnings included $14.0 million in one-time tax benefits received under the "fresh start" provisions of the Deficit Reduction Act as they relate to life insurance companies. Unallocated corporate expenses, after income taxes, were $4.9 million in the 1985 fourth quarter compared to $6.2 million in 1984.

The sale of the Merchandising Division, Western Auto Supply Company and Subsidiaries, was completed on December 20, 1985. Accordingly, Western Auto earnings have been restated as discontinued operations. The sale resulted in an aftertax loss on disposal of $7.4 million and was included in discontinued operations in the third quarter. Beneficial Corporation net income for the 1985 fourth quarter was $24.8 million, or $0.93 per share, compared to $27.8 million, or $1.07 per share in 1984. The 1984 results include Western Auto's earnings of $6.2 million, or $0.28 per share.

From the sale of Western Auto, Beneficial Corporation received cash proceeds of $302.7 million (including the repayment of intercompany accounts), $38 million in 9.2% preferred stock, redeemable in 8 years, and a $3.2 million note due in January 1987. The charge included a capital loss (net of associated tax benefits), the subsidiary's October and November operating results, and severance payments and miscellaneous expenses related to the sale.

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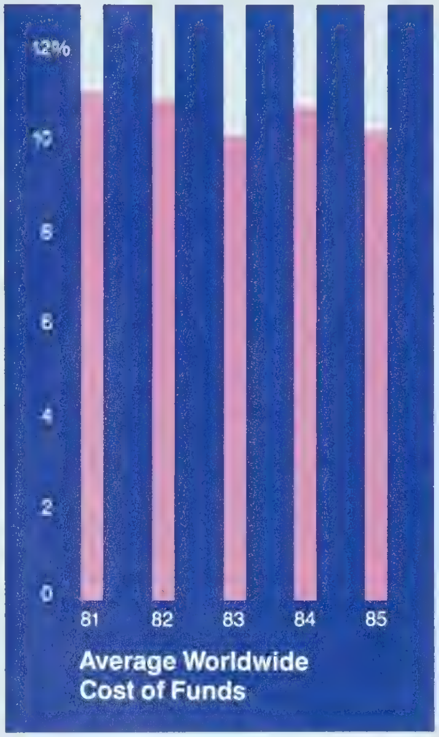
Financing

During 1985, Beneficial increased its level of interest-sensitive debt outstanding primarily through the issuance of commercial paper. This was done in response to growth in the level of variable-rate assets in the Corporation's receivables portfolio. During the year, the Company continued to refine its asset/liability management techniques and has maintained a conservative posture of "match funding," to the extent possible, to reduce sensitivity to interest rate fluctuations. Interest-sensitive assets are chiefly variable-rate revolving loans, written through the consumer finance office network. As this interest-sensitive segment of the loan portfolio increases, a somewhat greater reliance on interest-sensitive debt to finance the portfolio is appropriate.

Short-term debt outstanding at the end of 1985 totaled $1.2 billion, 22.7% of the Company's funding base, compared to $836 million or 16.5% of the total at the 1984 year end. Commercial paper outstandings were $1.1 billion at the end of 1985, up from $615 million at the prior year end. Beneficial maintains bank lines of credit in support of commercial paper outstandings. At year end, available lines were 112% of outstanding commercial

paper. Domestic bank lines at December 31, 1985, were $1.1 billion, including $568 million in the form of committed two-year revolving credit facilities. As this report went to press, over $900 million of Beneficial's bank lines had been converted to revolving credit facilities. Overseas bank lines totaled $236 million. The average cost of all short-term funds, including the cost of maintaining bank lines, was 9.17% during 1985, down from 11.33% during 1984. The lower cost of short-term funds in 1985 resulted primarily from substantial improvement in the money markets during the year. Additionally, the sale of the Company's foreign consumer finance subsidiaries located in Australia (in the fourth quarter of 1984) and New Zealand and Ireland (in the third quarter of 1985), which were financed with a large proportion of relatively high-rate short-term debt, contributed to the decline.



A modest, but growing, percentage of the Company's funding base consists of consumer deposits. At year end, deposits were $350 million, up 38% from $253 million in the prior year. The average cost of deposits was 10.43%, down from the 1984 level of 11.30%. These deposits are generated primarily through Beneficial National Bank USA ($116 million outstanding at the 1985 year end) and Beneficial's employee thrift plan ($84 million at year end), as well as through the Company's savings and thrift operations in Florida, Colorado, Ohio, and the United Kingdom. Although currently not a substantial funding source, consumer deposits are an important alternative future source of funds for the Company's consumer banking operations and another very attractive financial product to better serve our customers' needs.

Long-term fixed-rate debt remains the primary component of Beneficial's funding base. Representing 71% of debt outstanding, the Company's long-term debt portfolio provides a stable source of fixed-rate funds which at year-end 1985 had an attractive embedded cost of 10.21%, down from 10.41% at year-end 1984. The average cost of long-term debt is expected to decline noticeably in 1986. During 1985, $362 million in long-term debt, with an average rate of 10.33%, matured. Beneficial was modestly active in the long-term capital markets during the year, selling a total of $271 million in term debt at an average rate of 10.22%. During the first quarter, the Company sold $37 million in medium-term notes, of varying maturities, at an average rate of

Funding Base

(in millions)	12/31/85	% of Total	12/31/84	% of Total
Short-Term Debt				
U.S. Currency	$1,097.9	19.9%	$ 679.4	13.4%
Foreign Currencies	152.0	2.8	156.1	3.1
Total Short-Term Debt	1,249.9	22.7	835.5	16.5
Deposits Payable	350.3	6.3	253.0	5.0
Long-Term Debt	3,921.1	71.0	3,977.1	78.5
Funding Base	$5,521.3	100.0%	$5,065.6	100.0%

11.71%. In June, the Company sold $100 million of five-year notes at a rate of 9-3/8% and, in September, sold $100 million of ten-year notes at 10-5/8%. In December, a subsidiary, Beneficial Overseas Finance, N.V., called, at par, $100 million in 9-3/4% (annual coupon) Euro Notes which were issued in 1979 and due to mature in July 1987. As a result of notification requirements, the actual repayment of this issue occurred on January 9, 1986.

Reflecting generally declining interest rates and a higher proportion of lower cost short-term debt within the Company's capital structure, Beneficial's worldwide melded cost of funds, including the cost of bank commitment fees on lines of credit, declined to 10.19% from 10.73% in 1984. Excluding the higher cost of foreign borrowings, the cost of U.S. dollar debt for 1985 was 9.66%, compared to 10.10% in 1984. Beneficial's average quarterly borrowing cost for all debt during the past four years is presented above.

Beneficial's debt securities are rated "A" by Standard & Poor's, "6" (mid-range A) by Duff & Phelps, and "A-3" by Moody's Investor Service. The Company's commercial paper is rated "A-1" by Standard & Poor's, "D-1" by Duff & Phelps, and "P-1" by Moody's Investor Service. Significantly, in March 1986, Moody's Investor Service upgraded Beneficial's commercial paper rating to "P-1" from "P-2". This action was taken as a result of the substantial improvement in Consumer Finance Group operations during the past several years and the sale of Western Auto Supply Company and Subsidiaries.

Average Cost of Funds

	1985	1984	1983	1982	1981
1st Quarter	**10.49%**	10.49%	10.01%	11.29%	11.18%
2nd Quarter	**10.38**	10.70	10.03	11.29	11.27
3rd Quarter	**9.96**	10.96	10.27	10.94	12.15
4th Quarter	**9.95**	10.75	10.30	10.48	11.43
Full Year	**10.19%**	10.73%	10.16%	10.88%	11.53%

Consumer Finance Group

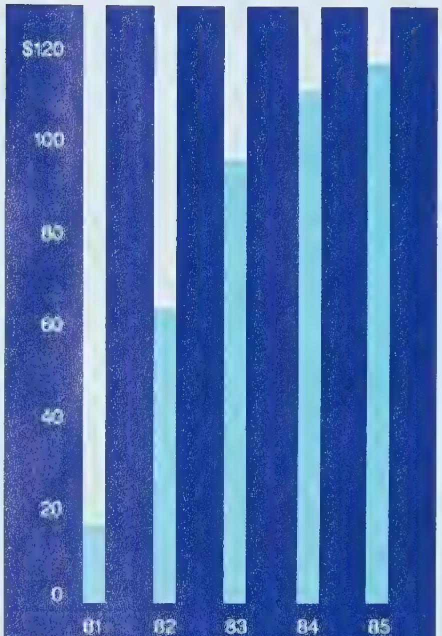
Beneficial Corporation, one of the nation's largest consumer finance companies, is best known for its large and very profitable consumer credit operation, the Consumer Finance Group (CFG). The cornerstone of this operation is the network of consumer finance offices located throughout the United States, Canada, the United Kingdom, and West Germany. Through this distribution network, the Consumer Finance System, Beneficial markets various types of loans and complementary products including insurance (underwritten by the Beneficial Insurance Group), first mortgages, income tax preparation services and, in certain regions, escrow and title services.

Also included in the CFG is our extremely successful nationwide issuer of bank credit cards, Beneficial National Bank USA, an FDIC-insured consumer bank. This operation, which has experienced rapid growth during the last several years, produces not only substantial profits but also presents the opportunity to merchandise other Beneficial Corporation products through the Bank's sophisticated direct response marketing program. Beneficial also operates several savings and thrift institutions, including Beneficial Savings Bank, F.S.B., a federally-chartered savings bank located in Florida. Finally, while not consumer oriented, Beneficial's leveraged leasing activities are also included in CFG results.

In 1985, the CFG experienced its fourth consecutive year of increased earnings, with net income climbing 6% to a record $118.4 million from $111.7 million reported in 1984. The earnings increase is attributable to strong growth in receivables, continued excellent operating expense con-

trol, and good credit quality. The table below analyzes CFG profitability dynamics over the past four years, presenting major categories of income and expense as a percentage of the average principal balance of receivables. This table, which is a key analytical tool, illustrates the influences producing the positive trend in CFG profitability since 1982.

During 1985, total receivables outstanding topped $6 billion. The strength in the consumer economy, coupled with the Company's active customer solicitation, has enabled Beneficial to continue its excellent trend of high-quality receivables growth. In 1985 receivables increased $752 million, or 14% to $6.1 billion, and averaged $5,580 million for the year, up 7% from the prior year average of $5,208 million. Real estate secured revolving credit accounts and bank credit card outstandings were the primary contributors to growth.



Consumer Finance Group Net Income
(in millions)

Consumer Finance Group — Profitability Analysis

	1985	1984	1983	1982
Average Receivables (a)	$5,579.8	$5,208.2	$4,479.9	$4,266.9
% of Average Receivables				
Finance Charges and Fees	19.47%	19.89%	20.53%	21.25%
Interest Expense	8.30	8.60	8.24	9.10
Lending Spread	11.17	11.29	12.29	12.15
Other Revenues	1.09	1.14	1.43	1.10
Gross Spread	12.26	12.43	13.72	13.25
Provision for Credit Losses	1.57	1.70	2.30	2.69
Salaries & Employee Benefits	3.16	3.24	3.70	3.90
Other Operating Expenses	3.63	3.68	4.06	3.89
Total Operating Expenses	8.36	8.62	10.06	10.48
Operating Income	3.90	3.81	3.66	2.77
Provision for Income Taxes	1.78	1.67	1.52	1.26
Net Income	2.12%	2.14%	2.14%	1.51%

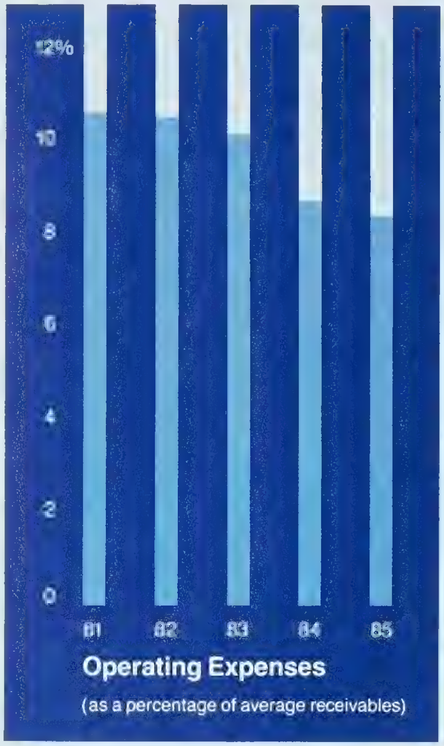
(a) In millions. Excludes unearned finance charges.

Beneficial's lending spread (roughly equivalent to a bank's net interest margin) declined slightly in 1985. The lending spread was 11.17% of average receivables, down from 11.29% in 1984. Finance charges and fees, as a percentage of average receivables, fell 42 basis points, to 19.47% from the prior year level of 19.89%, reflecting a greater proportion of lower-yielding variable-rate assets in the product mix and an extremely competitive environment, particularly as related to real estate secured lending. This decline was partially offset by a decrease in interest expense as a percentage of mean receivables to 8.30% from 8.60% in 1984. Other revenues also declined modestly to 1.09% of average receivables from 1.14% reported in the prior year, contributing to a decline in the gross spread to 12.26% from the 1984 level of 12.43%.

Improvements in operating efficiency and continued excellent credit quality combined to more

than offset the slight decline in lending margins. In 1985, net chargeoffs were $77.3 million, or 1.31% of average gross receivables, up slightly from $70.4 million, or 1.27% of receivables in 1984. Overall delinquency statistics were also excellent. Reflecting the high quality of the receivables base, the reserve for credit losses as a percentage of receivables declined marginally to 3.83%, a conservative three times annual chargeoffs. The provision for credit losses as a percentage of receivables declined to 1.57% from 1.70% in 1984 primarily because of lower internal receivables growth in 1985 compared to the prior year.

Since 1981, the CFG has demonstrated dramatic yearly improvements in operating efficiency measures. The Group has benefited not only from substantial operating leverage due to strong receivables growth on a base of largely fixed operating costs, but also from the elimination of operations that did not meet the Corporation's profitability goals. Salaries and employee benefits fell to 3.16% of average receivables in 1985 from the prior year's 3.24%, while other operating expenses, including rent, advertising, telephone, depreciation, and all other operating costs, declined to 3.63% of receivables from 3.68%. This decline occurred despite an increase in depreciation expense related to the up-grading and remodeling of our loan office network. The key operating efficiency ratio—the sum of the salary and benefits ratio and the other operating expenses ratio—decreased to 6.79% of receivables from 6.92% in 1984 and, importantly, was more than 100 basis points lower than the 1981 level of 8.10%. Total operating expenses (including the provision for credit losses) improved significantly to 8.36% from 8.62% in 1984 and 10.58% four years ago.



Operating Expenses
(as a percentage of average receivables)

At the same time, it should be noted that 1986 will most likely bring a slight increase in the ratio of other operating expenses to average outstandings. This will stem from costs related to our nationwide advertising campaign, aimed at increasing the public's awareness of Beneficial, and to the implementation of a new on-line CRT-based data processing system throughout our network of loan offices. It is anticipated that the systems development will improve productivity and management information, as well as allow Beneficial to introduce new products more quickly.

Pretax operating income, expressed as a percentage of mean receivables, increased to 3.90% from 3.81% in 1984. Despite an increase in the effective tax rate due to fewer available tax credits, the CFG net income return on average receivables was an excellent 2.12%, compared to 2.14% in 1984.

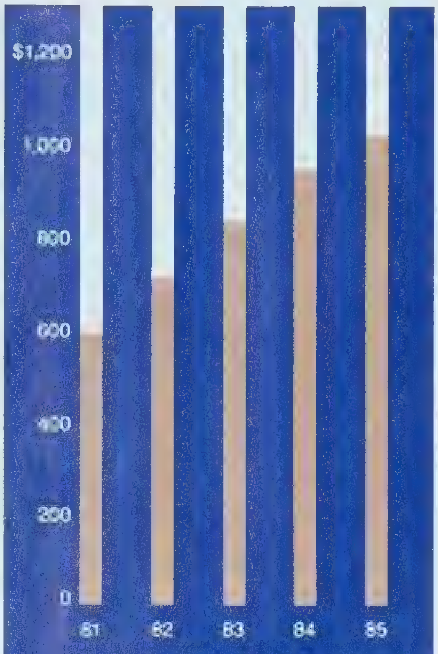
Principal of Finance Receivables

at December 31 (in millions)	**1985**	1984	1983	1982
Real Estate Secured Loans	**$3,127**	$2,909	$2,704	$2,180
Personal Unsecured Loans	**1,361**	1,209	1,257	1,411
Bank Credit Card Receivables	**1,052**	749	472	220
Sales Finance Contracts	**417**	311	218	184
Leasing and Commercial Finance Receivables	**163**	190	233	261
Total	**$6,120**	$5,368	$4,884	$4,256

Consumer Finance System

At year-end 1985, the Consumer Finance System (CFS), Beneficial's consumer loan office network, consisted of 943 offices (compared to 973 offices at the end of 1984) located in 38 states in the United States. Operations are focused on those states which have both good regulatory climates and strong economies, as well as populations large enough to permit economies of scale in operating costs. Outstandings are concentrated in several states, the largest of which is California, representing 30% of receivables outstanding, with other areas of concentration in Pennsylvania, New York, Ohio, Texas, Florida, and New Jersey.

The CFS also maintains a presence in three foreign countries including Canada (107 offices with year-end outstandings of $270 million), the United Kingdom (60 offices with receivables at December 31, 1985 of $170 million), and West Germany (8 offices with outstandings of $75 million at year-end 1985). Foreign receivables represented 8.4% of Beneficial's total outstandings at year end. During 1985 consumer finance subsidiaries located in New Zealand and Ireland were sold. Beneficial recorded a $2.0 million aftertax loss on these transactions. Current and anticipated profitability was deemed inadequate and neither market was large enough to meet the Corporation's growth goals to allow adequate economies of scale.



Cash Invested per Employee
(in thousands)

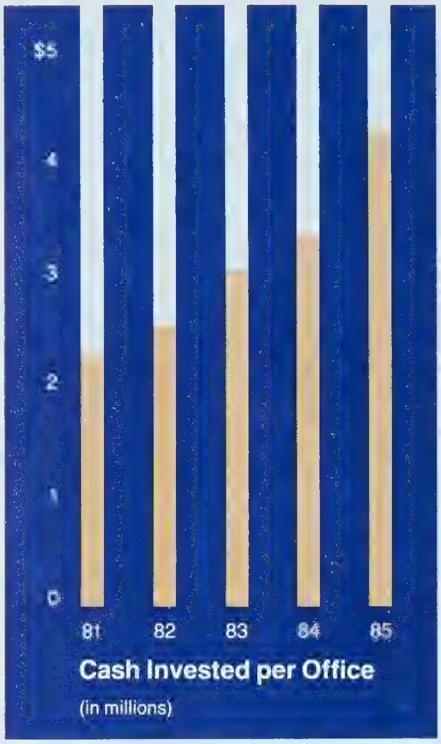
Reflecting the focusing of our office distribution network and continued receivables growth, direct measures of operating efficiency in the CFS improved during 1985. Cash invested (net receivables) per employee exceeded the one million dollar mark, reaching $1,011,800, up from the prior year level of $940,800. Cash invested per office was an excellent $4,261,000 compared to $3,630,000 in 1984.

Gains were reported in all consumer receivables categories in 1985. Real estate secured loans increased $217 million to total $3.1 billion at year-end 1985. All growth occurred in the extremely popular revolving real estate secured loan product, a key component in planned future growth. Revolving real estate secured receivables totaled $909 million at the end of the period compared to the 1984 year-end level of $506 million. These loans provide borrowers with a pre-approved line of credit secured by the equity in their homes. To efficiently access the credit, the borrower simply writes a check drawn on our commercial banking subsidiary, Beneficial National Bank, located in Wilmington, Delaware. This lending product is not only convenient for the customer, but is also extremely cost-effective for Beneficial. The average real estate loan made in 1985 increased to $22,133, up from $17,524 in 1984 and $16,403 in 1983.

A substantial portion of our real estate secured revolving loans are written on a variable-interest rate basis, generally tied to the prime rate. Although below our current average yield, these loans remain quite profitable since they can be funded with commercial paper borrowings at a substantially lower cost than long-term debt. The variable-interest rate portion of our receivables portfolio equalled $680 million at year-end 1985, up from $153 million at the prior year end.

Unsecured personal loans outstanding rose in 1985 to $1.4 billion, an increase of $153 million from the previous year. The primary contributor to growth within this loan segment was the revolving personal unsecured loan, which totaled $298 million at December 31, 1985 compared to $176 million in 1984. The average personal loan made increased in 1985 to $2,072 from an average of $1,959 in 1984.

Sales finance outstandings experienced strong growth in 1985, following a 43% increase in 1984. Sales finance outstandings were $417 million at year end, up 34% from the prior year level of $311 million. The average sales finance contract written in 1985 was $861, increased from $816 in 1984. Beneficial continues to place its emphasis on this very important product, marketed under the name Bencharge Credit Service. Sales finance contracts offer not only a profit opportunity for the Consumer Finance System, but also an excellent source of new customers. During the year, approximately 35% of new loan customers were developed by extending the customer relationship that began with a sales finance contract. The CFS directs its efforts toward high-quality merchants such as those selling computers, appliances, furniture, and home improvement supplies.



Merchants are offered a full-line credit service for their customers to enable the retailer to better market their products. The Company offers a wide variety of sales finance products ranging from small single purchase contracts to very successful private label revolving charge accounts. The private label program offers the merchant such features as credit authorization via a toll-free number, online credit applications through our state-of-the-art System for New Account Processing (SNAP) center, tips on improving credit sales techniques, and statistical information.

Income Tax Service

Income tax preparation services are provided in the United States and Canada through 1,296 outlets, including Beneficial consumer loan offices, free-standing offices, retailers (such as Montgomery Ward), and through unaffiliated financial institutions, under the name, "Tax Masters." In 1985, emphasis on improving customer service increased the percentage of return customers by more than 50% over the prior year. This was accomplished through better training and through provision of value-added enhancements to standard tax preparation, such as a tax tip newsletter and financial planning booklet.

During 1985, programming was completed to enable Beneficial's Income Tax Service to participate in a test, in conjunction with the U.S. Internal Revenue Service (IRS) in the 1986 tax season, allowing electronic filing of tax returns. We anticipate that this service will better serve our customers and give Beneficial a competitive advantage over other tax preparers, by speeding to our customer a refund (if one is due) two to three weeks earlier than if the return was filed by mail.

During the year, 315,000 returns were prepared in the U.S. and Canadian operations, producing increased revenues for the

fifth consecutive year. This compares to 304,000 returns prepared in 1984. Profitability for the domestic operation improved, with the average revenue from individual outlets increasing nearly 25% due both to increased returns per outlet and a rise in the average fee received for each return. In Canada consumers are able to obtain immediate cash upon verification of a tax refund due, less an appropriate fee. Our Canadian tax discounting operation reported another excellent year of increased profitability.

Beneficial Mortgage Corp.

Beneficial Mortgage Corporation, the Company's mortgage banking subsidiary, originates and services first mortgage loans, which are subsequently sold to investors. This operation allows Beneficial to offer an important additional product line to customers through our CFS loan office network, as well as through branches of Beneficial Mortgage. Loans are originated through five Beneficial Mortgage branches located in Delaware, North Carolina, Florida, and New Jersey. More than 300 Beneficial consumer loan offices originate first mortgages for regional processing centers located in California, Kansas, and Florida. Plans are in place to open an additional Beneficial Mortgage branch in Texas and four new regional processing centers in 1986.

At the end of 1985, the servicing portfolio totaled $144 million. Servicing volume is expected to increase dramatically in 1986 due to new office openings, increased participation of the consumer loan office network, and improved training related to the first mortgage origination process. Volume increases will allow Beneficial Mortgage the economies of scale that will aid the operation in meeting the Corporation's profitability goals.

BNB USA is among the nation's very largest bank issuers of premium bank credit cards, including both the Gold MasterCard and Premier Visa.

Beneficial National Bank USA

Beneficial National Bank USA (BNB USA), located in Wilmington, Delaware, is Beneficial Corporation's primary consumer bank. BNB USA, a national bank regulated by the Comptroller of the Currency, is primarily engaged in the credit card business, issuing MasterCard and Visa cards to over one million consumers nationwide. With total credit card receivables in excess of $1 billion at year-end 1985, BNB USA is among the nation's very largest bank issuers of premium bank cards, including both the Gold MasterCard and the Premier Visa card. Net income increased to $13.0 million in 1985 from $12.0 million in the prior year.

About 60% of the Bank's credit card portfolio is premium bank card outstandings. Premium cards are designed to appeal to upscale consumers with incomes in excess of $40,000 per year, offering unsecured lines of credit of $5,000 or more and a variety of travel and entertainment benefits. Premium card account outstandings generally bear a variable-rate of interest, floating 4% above the prime rate, subject to a minimum of 18.96%. On most premium cards, BNB USA charges a monthly usage fee of $2.50 on each account that is active during the month. This feature is very attractive to consumers, in that, if the customer has not used the card, no fee is paid. This contrasts with the yearly fees of as much as $50 paid by customers to competing card issuers. Importantly, the premium card product affords Beneficial an entree to a growing,

convenience-oriented, upscale consumer market segment.

Growth has been achieved through aggressive pursuit of credit card portfolio acquisitions, as well as through sophisticated advertising and direct mail solicitation. To attract quality bank card customers in the present intensely competitive environment, the Bank continually refines the marketing techniques used to generate internal growth of accounts. Direct mail list testing, telemarketing programs, and price testing all play a part in maximizing the Bank's internal growth and profits.

During 1985, the Bank acquired credit card portfolios from Home Federal Savings and Loan Association of San Diego ($269.5 million in outstandings), First National Bank of Wilmington ($9.8 million), BancTEXAS Richardson N.A. ($8.2 million), and Tokai Bank of California ($4.8 million). New accounts added through portfolio acquisitions during the year totaled 224,000. The addition of the Home Federal portfolio in the fourth quarter brought the total outstandings of BNB USA to over $1 billion. The delinquency rate on the Home Federal portfolio, however, was higher than the previous rates of delinquency at BNB USA, and chargeoffs were taken upon acquisition

Credit card delinquency declined dramatically to 1.36% at year-end 1985, from 1.83% at September 30, 1985.

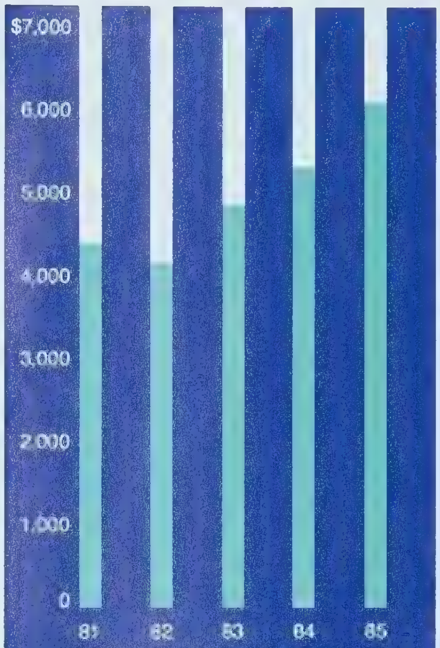
to bring the rates to a satisfactory level. In addition, management has taken steps to improve the asset quality of this portfolio. This purchase will increase economies of scale for the Bank as well as provide significant income streams.

Over the past two years, the credit card industry has experienced a downward trend in asset quality and a consequent increase in delinquency and chargeoffs. BNB USA has increased its reserve against loan loss as this credit card industry trend is expected to continue in the near future. Management has taken corrective action, including tightening credit standards and increasing collection efforts, to insure that asset quality remains at an acceptable level. These actions have resulted in a dramatic decline in credit card delinquency levels to 1.36% of receivables at year end (including the Home Federal portfolio), from 1.83% at September 30, 1985.

During 1985, Beneficial National Bank USA prepared for continued growth. A new 72,000 square foot operations and data processing center was opened in May. Housing the Bank's data processing, operating, and human resources functions, the downtown Wilmington facility will provide the capacity required to meet the Bank's expansion plans through 1989. This expansion has enabled the Bank to perform data processing functions previously provided by an outside vendor. This move will significantly reduce expenses in the long run. The Bank's investments to provide for future growth had the short-term effect of raising operating expenses (excluding advertising) to 3.9% of average outstandings in 1985, from 3.6% in 1984.

In 1983 the Bank began a test to offer certificates of deposit to the consumer via direct mail. Results showed a significant potential for the Bank to acquire deposits from remote locations by offering a slight premium over the competition's rates and by emphasizing FDIC insurance. BNB USA has several competitive advantages, including substantial operating cost advantages, enabling it to offer interest rates on deposits higher than those of most branch banks and thrifts, name recognition resulting from

affiliation with a nationally known financial services parent company, and well developed direct response marketing skills. From a base of $10 million at the end of 1984, deposits have grown dramatically to $116 million, which now include both certificates of deposit (CD's) and Individual Retirement Accounts (IRA's). As the deposit instruments mature, aggressive retention efforts are employed to preserve the deposit base. Direct mail, print advertising and other customer solicitations are expected to generate continued growth.



CFG-Total Receivables Outstanding
(in millions)

Beneficial Commercial Corp.

Beneficial Commercial Corporation (BCC), Beneficial's leveraged leasing subsidiary, acts as a significant equity participant in large tax-advantaged leveraged leasing transactions. Although transportation equipment such as large airplanes, railroad rolling stock, and ocean-going vessels represent the major portion of the leveraged lease portfolio, a broad array of other capital equipment, including telephone switching equipment and various types of heavy industrial equipment, have been financed as well. Leveraged leasing activities have been quite profitable for companies such as Beneficial that have substantial taxable income to offset. While attractive opportunities remain under the current tax code, adoption of a major overhaul of the tax law would require a careful evaluation of leveraged leasing activities.

BCC had previously been active in the commercial finance and middle-market leasing markets but, reflecting a high level of delinquency and net chargeoffs in these areas, BCC exited those markets in 1984. These portfolios are now being liquidated. Accordingly, BCC achieved a turnaround and returned to profitability in 1985 after recording a substantial net loss in 1984.

Despite growth in leveraged lease activities, BCC's overall outstandings declined to $156 million at year-end 1985 from $181 million at the end of 1984. Commercial finance and middle-market net receivables were $32 million of the year-end total and are expected to decline significantly in 1986.

Beneficial National Bank

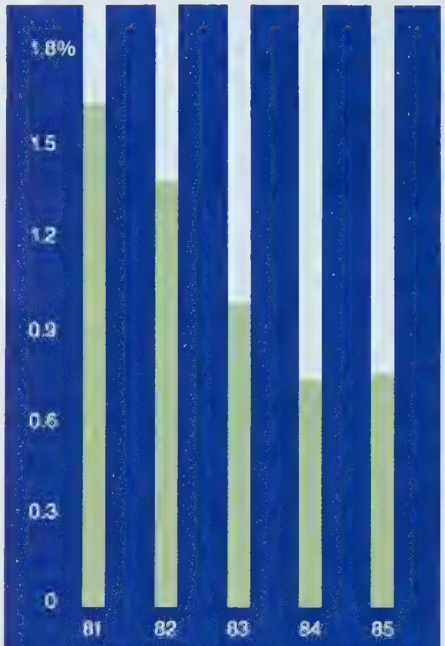
Based in Wilmington, Delaware, Beneficial National Bank (BNB) is Beneficial Corporation's commercial banking subsidiary. BNB, with five branches in the state, conducts a full-service commercial banking operation, emphasizing commercial lending to small and medium-sized businesses in its local market. The Bank had an excellent year in 1985 as net income increased 120% to $1.1 million from $0.5 million in 1984. Daily average assets increased to $101.4 million from $73.4 million in 1984. At December 31, the Bank's reserve for loan losses was a significant 1.29% of loans, despite the high quality nature of the portfolio with quite low delinquency at year end. Because of its distinct nature as a commercial bank, BNB is treated as a non-consolidated subsidiary on Beneficial Corporation's financial statements, with only the Bank's net income included on the equity method

(as part of CFG "other revenue").

Beneficial's ownership of this full-service commercial bank enables the Corporation to enjoy cash management savings. All revolving credit lines developed by the CFG are accessed through customer checks drawn on BNB. Additionally, all other disbursements from the loan offices are made by the Bank. Finally, BNB provides a full range of commercial banking services such as deposit accounts, wire transfers, and check processing to the Corporation's operating subsidiaries, and the Corporation's deposit accounts are concentrated in BNB.

Credit Loss Experience—Condition of the Portfolio

Beneficial's credit loss experience remained excellent in 1985. Although net chargeoffs as a percentage of average receivables increased modestly to 1.31% from 1.27% of receivables in 1984, the 1985 level nevertheless represented Beneficial's second lowest net chargeoff percentage since 1969.



Consumer Loan Delinquency
(as a percentage of receivables)

The delinquency levels in the loan office portfolio remain at historical lows. Consumer loan balances (including real estate secured and unsecured loans) more than two months delinquent, on a recency basis, totaled 0.75%, compared to 0.74% at year-end 1984. Reflecting Beneficial National Bank USA's aggressive chargeoffs and steps taken (such as tightened credit standards and increased emphasis on collection activities) to counter the sharp industry-wide increase in bank credit card delinquency, bank card delinquency improved sharply in the fourth quarter. At the year-end level of 1.36%, credit card delinquency, reported on a contractual basis, was only modestly higher than the 1984 year-end level of 1.28%, and was sharply improved from the September 30, 1985 level of 1.83%.

Reflecting the strong credit quality of the portfolio, Beneficial's reserve for credit losses was

Credit Quality Measures

(in millions)		Finance Receivables Charged Off (a)		Reserve for Credit Losses at End of Year		Delinquency	
Year	Gross Amount of Receivables Charged Off	Net Chargeoffs	% of Average Gross Finance Receivables	Amount	% of Finance Receivables at End of Year (b)	Consumer Loan Receivables More Than Two Months Delinquent (c)	Bank Credit Card Receivables More Than Two Months Delinquent (d)
1985	$105.0	$ 77.3	1.31%	$234.4	3.83%	0.75%	1.36%
1984	90.3	70.4	1.27	212.4	3.96	0.74	1.28
1983	106.1	83.6	1.73	205.4	4.21	0.97	1.10
1982	130.4	114.3	2.45	188.3	4.42	1.37	1.40
1981	120.0	106.6	2.17	196.5	4.42	1.62	—

(a) Less offsetting recoveries.
(b) After deducting unearned finance charges.
(c) On a recency basis. Includes real estate secured loans and personal unsecured loans.
(d) Contractual basis. Prior to 1982, bank credit card receivables were not a significant part of the receivable portfolio.

3.83% of receivables at year end, compared to 3.96% at the end of 1984. At this level, the reserve remains among the more conservative in the consumer credit industry, both relative to receivables outstanding and net chargeoffs. At its year-end level, the reserve covers 1985 net chargeoffs three times. Most major banking industry competitors maintain their consumer loan loss reserve at a level only slightly in excess of most recent year losses.

Beneficial Insurance Group

***1985** was a year of substantial progress for the Beneficial Insurance Group (BIG). Although net earnings of the Group were only modestly improved to $5.0 million from $1.9 million in 1984, major strides were made toward solving the problems of the Group's property and casualty (P&C) reinsurance operation, which has been such a serious drag on BIG's recent results. BIG's operations were redirected and refocused during 1985, laying the groundwork for what is anticipated to be a dramatic recovery in Insurance Group profitability over the next several years.*

BIG's principal business segments—credit insurance and annuities—continue to be quite profitable. BIG's total premium

BIG's operations were redirected and refocused during 1985, laying the groundwork for recovery in profitability over the next several years.

revenue rose 26% to $711.3 million in 1985 from the prior year's $565.1 million, led by increases in annuity writings and credit insurance. The reinsurance results, however, continue to offset the Group's otherwise excellent performance. The losses that emerge from reinsurance reflect the past mistakes of entering the reinsurance market at a point in its business cycle where premiums were insufficient in relation to risks insured, compounded by a business strategy focusing on the utilization of managing general agents (MGA's).

Contracts with the MGA's producing the troubled reinsurance business have all been terminated, and BIG has exited the P&C reinsurance market. Because of contractual rights to multi-year renewals, delayed termination provisions in certain MGA agreements, and reporting lags inherent in this mode of operation, BIG recorded $71.7 million in reinsurance premium in 1985. A sharp decline is expected for 1986. Considering BIG has recorded this run-off premium at an approximate 160% combined ratio, reflecting its commitment to a realistic and conservative reserving philosophy, it is apparent that the significant reduction in writings projected for 1986 will have a highly beneficial impact on profitability.

Also, it should be noted that the 1985 and anticipated 1986 premium levels are inflated by specific factors, including elimination of retrocessional arrangements with reinsurers of questionable financial quality (a sound policy which effectively increases net new writings), commutations of specific blocks of business where BIG reassumes premium previously ceded, and a price increase in new risk premiums as a result of the upturn in the industry's general pricing structure.

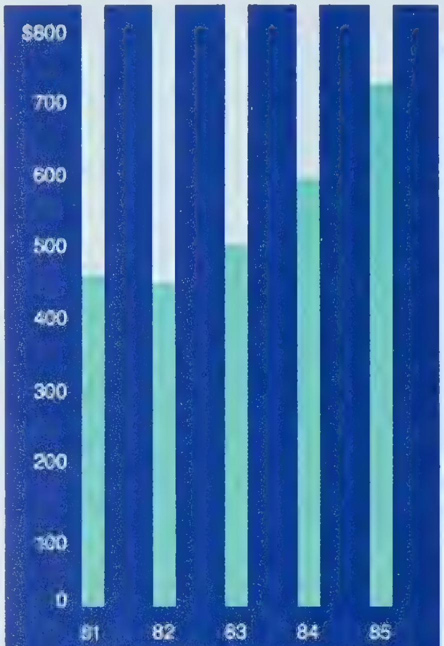
During 1985 the reinsurance industry continued to experience severe losses, as evidenced by the number and size of insolvencies, regulatory supervision projects, and liquidations of insurance companies. Recognition of these problems resulted in the execution of a multi-faceted program whereby BIG insulated its exposure to continued significant losses from the reinsurance segment. Through a combination of reinsurance transactions and direct

strengthening of loss reserves, BIG effectively increased its reserve capacity for P&C reinsurance risks (relating both to reinsurer insolvencies and loss development) by more than $150 million. Accordingly, BIG's exposure to continued significant losses from this troubled business has been substantially reduced.

Reflecting the aforementioned conservative reserving methodology, BIG's net aftertax losses from property and casualty reinsurance were $39.0 million in 1985, reduced from 1984's net loss of $54.2 million. A significantly reduced reinsurance loss is anticipated in 1986.

Annuity Operations

BIG's largest life insurance subsidiary, Western National Life Insurance Company, grew to nearly $1.4 billion in assets at year-end 1985, an increase in excess of $500 million from the prior year. This growth is attributable to record sales of structured settlement annuities and other tax-sheltered annuity products. Western National is one of the nation's leading writers of structured settlement annuities (generally related to the settlement of large disability claims). Western is also a major writer of conventional single premium deferred annuities, and has a particularly strong position in sales of flexible tax-deferred annuities sold to teachers (and others working for not-for-profit institutions) through payroll deduction plans. Western National's total premiums written increased to $412.5 million in 1985 compared to $281.4 million in 1984. As indicated in the table below, the annuity product line in total for BIG (modest amounts are produced by BIG's Northwestern Security Life Insurance Company as well) represented 65% of BIG's total premiums written.



BIG-Written Premiums
(in millions)

This growth, although dramatic, has been accomplished in a controlled environment characterized by highly conservative underwriting and investment philosophies. Western National's major marketing advantages in the annuity business are its strong financial position (rated A+ (contingent) by A.M. Best & Co.), its efficient service and processing operations, its long-standing relationships with the major producers and, most importantly, its investment and underwriting expertise. Western's net aftertax operating income (before capital gains) more than doubled to a record $9.1 million in 1985 from $4.3 million in 1984, excluding from the 1984 amount the one time "fresh start" tax benefits related to the change in taxation of life insurance companies.

Credit Insurance Operations

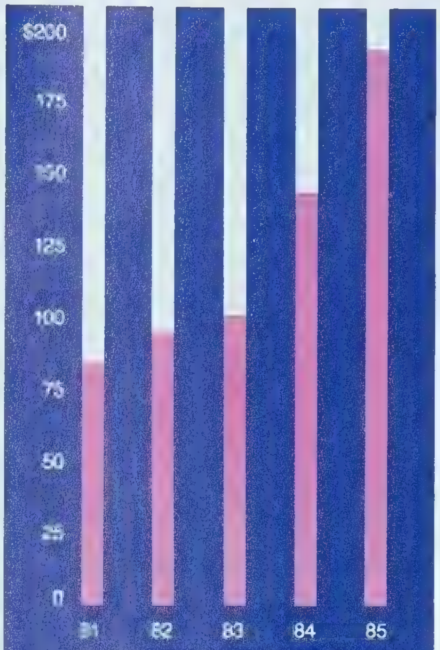
The credit insurance operation is the solid foundation upon which the Beneficial Insurance

Written Premiums—Lines of Business

(in millions)	1985	1984	1983	1982
Annuities	$466.5	$347.9	$244.2	$211.3
Life	88.9	42.0	124.1	83.4
Accident & Health	83.8	69.5	46.6	47.9
Property & Casualty	81.6	138.6	90.8	110.6
Total	$720.8	$598.0	$505.7	$453.2

Group was built and continues to be extremely profitable. Total gross credit related premium writings increased to $156.9 million in 1985 from $145.5 million the prior year, due to excellent growth in writings for outside accounts. Total credit insurance premiums written in connection with loans made by Beneficial's Consumer Finance Group declined to $56.3 million from $62.9 million in 1984, reflecting the increasing proportion of revolving credit loans in CFG volume. Although improving significantly, insurance penetration on revolving credit loans is less than on closed-end credit and, more importantly, premiums are collected monthly over the life of the loan rather than as a single up-front charge at the time a closed-end loan is made. Nevertheless, reflecting the marketing economies inherent in selling through our own distribution channels, profitability of the inhouse business remains excellent.

Total independent creditor insurance premiums written rose sharply (for the second consecutive year) to $98.0 million from $81.0 million in 1984. Independent creditor premium has almost doubled since 1983. Marketing efforts continue to focus on the consumer loan operations of commercial banks, thrift institutions, automobile dealers and distributors, and other finance companies. While less profitable than the



BIG-Investment Income
(in millions)

Beneficial-related business because of commissions paid to the producers, the independent creditor line of business nevertheless makes a substantial contribution to corporate profitability. In addition, it provides alternative distribution outlets for new insurance product entries. BIG ranks among the industry leaders in the highly specialized consumer credit insurance market, providing a full range of credit related products.

Investment Activities

Boosted mainly by the substantial cash inflows from annuity premiums written, BIG's investment portfolio increased to $2.0 billion at December 31 from $1.5 billion a year earlier. Investment income increased an excellent 36.0% to $193.3 million from $142.1 million in 1984. The dramatic rally in the bond markets during the year substantially increased the market value of the fixed-income portfolio, and at year end, the market value of the entire securities portfolio was $77 million in excess of its carrying value. This is despite the fact that during the year the portfolio produced $12.8 million in net after-tax capital gains, up from $6.2 million in 1984. As indicated in the table on the following page, the portfolio continues to be chiefly invested in high quality fixed-income obligations.

The substantial growth in long-term annuity reserves was carefully matched on the asset side by investments in long-term corporate bonds, the "long" tranches of collateralized mortgage obligations, and by high quality long-term commercial mortgages. Structured settlement annuity reserves (a major portion of BIG's premiums) are contractually locked in for long periods (often, scheduled payment outflows continue for periods in excess of 20 years), creating the need to generate an attractive compound yield with equally long-term investments. Nevertheless, quality guidelines were not compromised, and new investments in Western National, as well as throughout

the rest of BIG, continue to center on A-rated or better credits. Unlike some of Western National's competitors in the annuity market, Western has chosen not to make use of low-rated "junk bonds" to match annuity reserves. Almost 90% of BIG's bond portfolio is "A"-rated or better, with fully 50% of the portfolio rated "AAA" (reflecting the heavy proportion of Treasury securities, Ginnie Maes, and collateralized mortgage obligations in the total).

Generally, BIG's investment portfolio is managed in a quite conservative, risk averse manner, both to match long-term annuity reserves and to generate a predictable stream of steadily increasing income at least partially offsetting the substantial underwriting risk inherent in the previously-written property and casualty reinsurance book. Accordingly, commitment to the equity markets has been modest. This investment strategy has been successful, and investment income for BIG has increased at a compound rate in excess of 30% annually since 1979.

Investment management activities represent a potentially important strategic market and product line for Beneficial Corporation in the 1990's. In anticipation of that, investment management expertise within BIG is being carefully developed. BIG already manages the Beneficial Corporation retirement plans in-house, and further development of investment management expertise and product lines is anticipated in future years.

Beneficial Insurance Group, primarily through its subsidiary Harbour Island Inc., also invests in real estate for residential and commercial development. Harbour Island, the Company's primary development project, is a mixed-use, master-planned development located in Tampa, Florida, just south of the city's central business district. The first phase, conducted in partnership with Lincoln Property Company of Dallas, was completed during 1985. This portion of the project consists of office and retail space, and a 300-room hotel. At year end, 80% of the commercial space was under lease and the occupancy rates for the hotel were trending steadily upward since its opening in July, 1985. Currently, 72 luxury and 128 moderate-priced condominiums are under construction. Initial occupancy of luxury units is expected in mid-1986. The development and sell-out of the entire property is anticipated to take place over a 20-year period.

Insurance Group Investment Portfolio

(in millions) at December 31	1985	% Total	1984	% Total	1983	% Total
U.S. Government Obligations	$ 366.5	18.4%	$ 360.9	24.4%	$ 241.4	22.0%
Municipal Bonds	345.9	17.4	337.8	22.8	312.8	28.5
Foreign Government Obligations	31.3	1.6	41.0	2.8	41.8	3.8
Corporate Bonds	841.5	42.3	388.8	26.3	198.7	18.1
Preferred Stocks	61.2	3.1	53.3	3.6	54.7	5.0
Common Stocks	20.2	1.0	72.6	4.9	59.6	5.4
Policy Loans	28.1	1.4	19.7	1.3	15.2	1.4
Mortgages	226.0	11.4	193.4	13.1	135.4	12.3
Real Estate	32.4	1.6	9.0	.6	9.0	.8
Short-Term Holdings*	35.0	1.8	4.4	.2	29.6	2.7
Total	$1,988.1	100.0%	$1,480.9	100.0%	$1,098.2	100.0%

*Chiefly commercial paper

Beneficial Corporation and Consolidated Subsidiaries

Balance Sheet

(in millions) December 31	1985	1984
Assets		
Cash and Equivalents	$ 139.6	$ 138.2
Finance Receivables	6,471.9	5,721.7
Less Unearned Finance Charges	(352.4)	(354.2)
Principal of Finance Receivables (Note 3)	6,119.5	5,367.5
Less Reserve for Credit Losses	(234.4)	(212.4)
Insurance Policy and Claim Reserves (applicable to finance receivables)	(103.2)	(117.6)
Net Finance Receivables	5,781.9	5,037.5
Other Receivables	223.9	271.2
Investments (Note 4)	2,024.2	1,528.3
Property and Equipment (at cost, less accumulated depreciation of $51.7 and $40.0)	132.8	116.5
Investment in and Advances to Discontinued Operations (Note 2)	—	311.8
Other Assets (Note 5)	415.8	330.9
Total	$8,718.2	$7,734.4
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 6)		
U.S. Currency	$1,097.9	$ 679.4
Foreign Currencies	152.0	156.1
	1,249.9	835.5
Deposits Payable (includes employee thrift deposits)	350.3	253.0
Accounts Payable and Accrued Liabilities (Note 7)	457.1	432.3
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	1,697.8	1,243.7
Long-Term Debt (Note 8)	3,921.1	3,977.1
Total Liabilities	7,676.2	6,741.6
Redeemable Preferred Stock (Notes 9 and 10)	108.3	125.0
Other Preferred Stock (Note 9)	115.7	115.8
Common Stock (60.0 shares authorized, 22.5 and 22.3 shares issued and outstanding) (Note 9)	22.5	22.3
Additional Capital (Note 9)	68.4	63.5
Net Unrealized Loss on Equity Securities (Note 4)	(1.0)	(16.0)
Accumulated Foreign Currency Translation Adjustments (Note 11)	(13.6)	(18.4)
Retained Earnings (Note 8)	741.7	700.6
Total	$8,718.2	$7,734.4

See Notes to Financial Statements.

Management's Discussion and Analysis of Financial Condition (amounts in millions)

During 1985 Beneficial's principal of finance receivables grew $752 or 14% and topped the $6,000 mark. The largest increase was in credit card receivables ($303 or 41%) as a result of portfolio acquisitions in the fourth quarter. Other increases were in real estate secured loans ($217), personal unsecured loans ($153) and sales finance contracts ($105). This is the first gain in personal unsecured loans since 1979, as the Company reemphasized this product. Lease receivables declined $26 as the planned run-off continued. The receivable portfolio mix at December 31, 1985 was 51% real estate secured loans, 22% personal unsecured loans, 17% credit card receivables, 7% sales finance contracts and 3% lease receivables.

The reserve for credit losses as a percentage of finance receivables was 3.83% at December 31, 1985 and 3.96% at year-end 1984. Conservative by industry standards, the reserve for credit losses at year end covers 1985 net chargeoffs three times. The overall credit quality of the portfolio remains high as total chargeoff and delinquency rates continued at historically low levels. Consumer finance loan balances more than two months delinquent (on a recency basis) were .75% at December 31, 1985, as compared to .74% and .97% at the end of 1984 and 1983. Credit card balances more than two months delinquent (on a contractual basis) were 1.36% at December 31, 1985, up from 1.28% and 1.10% at year-end 1984 and 1983. The Company has accelerated chargeoffs and has tightened credit standards and intensified collection efforts to counter increasing delinquency, a trend experienced by the entire credit card industry.

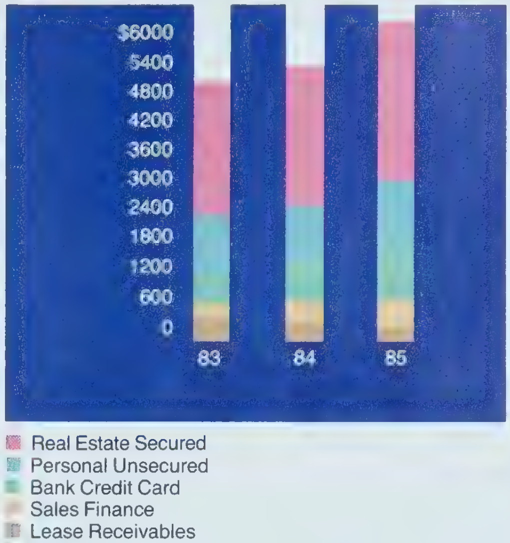
Investments grew $496 and insurance policy and claim reserves increased $440, both up 32% during 1985 due largely to annuity writings.

Short-term debt (including consumer deposits) was $1,600 at December 31, 1985 and comprised 29% of total debt, up from 21% at December 31, 1984. The shift to a larger percentage of short-term funding continued as the Company's origination of variable-rate receivables increased during 1985. During 1985 long-term debt of $271 was issued having a weighted average interest rate of 10.22%, while $362 of long-term debt, having a weighted average rate of 10.33%, was repaid.

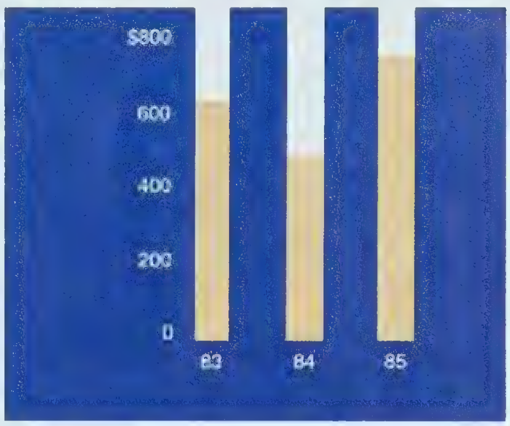
Net unrealized loss on equity securities decreased 94%, from $16 at December 31, 1984 to $1 at December 31, 1985, as the market turned upward.

The Company's debt to equity ratio (including redeemable preferred stock) was 5.30 to 1 and 5.10 to 1 at December 31, 1985 and 1984. A significant part of the receivables growth in 1985 was financed by borrowings.

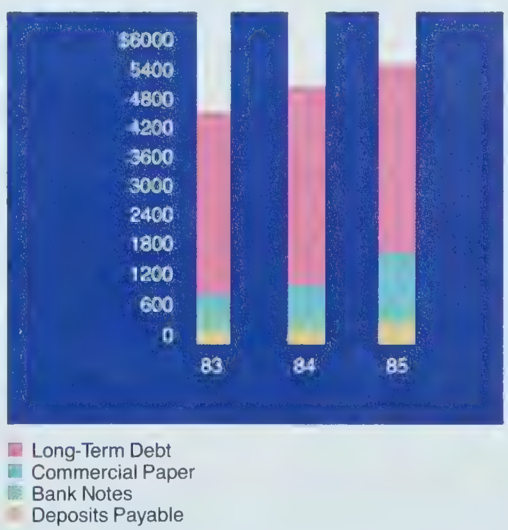
Principal of Finance Receivables
At December 31 (in millions)



Growth in Finance Receivables
At December 31 (in millions)



Short-Term and Long-Term Borrowings
At December 31 (in millions)



Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1985	1984	(in millions)	1985	1984	1983
$444.1	$472.9	Revenue	$2,059.0	$1,804.6	$1,581.9
		Expenses			
101.4	194.0	Insurance Benefits and Policy Reserve Increase	770.8	628.6	482.7
134.6	134.5	Interest	520.2	503.9	423.7
49.6	42.9	Salaries and Employee Benefits	198.1	189.9	183.8
30.2	30.0	Provision for Credit Losses (less recoveries)	87.8	88.3	103.0
92.0	76.6	Other	324.7	303.2	268.9
407.8	478.0	Total	1,901.6	1,713.9	1,462.1
36.3	(5.1)	Income (Loss) Before Income Taxes	157.4	90.7	119.8
11.5	(26.7)	Provision for Income Taxes (Note 13)	57.5	1.0	29.7
24.8	21.6	Income From Continuing Operations	99.9	89.7	90.1
		Discontinued Operations, After Income Taxes (Note 2)			
—	6.2	Income	8.7	16.6	15.5
—	—	Loss on Disposal	(7.4)	—	—
—	6.2	Income From Discontinued Operations	1.3	16.6	15.5
24.8	27.8	Net Income	101.2	106.3	105.6
730.8	687.3	Retained Earnings, Beginning of Period	700.6	655.2	610.8
13.9	14.5	Dividends Paid	60.1	60.9	61.2
$741.7	$700.6	Retained Earnings, End of Period	$ 741.7	$ 700.6	$ 655.2
		Earnings Per Common Share			
$ .93	$ .79	Continuing Operations	$ 3.76	$ 3.27	$ 3.26
—	.28	Discontinued Operations	.06	.75	.70
$ .93	$ 1.07	Net Income	$ 3.82	$ 4.02	$ 3.96
$ 20.7	$ 23.7	Earnings Available for Common Shares	$ 84.5	$ 89.3	$ 88.6
.50	.50	Dividends Per Common Share	2.00	2.00	2.00
22.1	22.2	Average Outstanding Common Shares	22.1	22.2	22.4

See Notes to Financial Statements.

Management's Discussion and Analysis of Results of Operations (amounts in millions)

Revenues were up 14% in both 1985 and 1984 and 6% in 1983. The 1985 and 1983 increases were primarily a result of increased premium revenue. In 1984 the increase was due to both higher finance charges and fees as well as greater premium revenue.

Insurance premium revenue was up 26% in 1985 and approximately 13% in both 1984 and 1983. The increase in 1985 was largely due to a higher volume of annuity premiums. The 1984 increase resulted from higher annuity and property and casualty writings, offset in part by the termination of a large life reinsurance contract that reduced life premium revenue. The increase in 1983 was due to higher annuity and life writings offset somewhat by lower property and casualty writings.

Finance charges and fees also contributed to the revenue gains, increasing 5% in 1985, 13% in 1984 but showing little change in 1983. The 5% gain in 1985 resulted from a 7% growth in average receivables offset somewhat by a decline in the annual percentage rate of finance charges and fees from 19.89% in 1984 to 19.47% in 1985. The decline is largely due to a decrease in the rate of charge for real estate loans. In 1984 the growth in finance charges was less than the growth in receivables because of a smaller percentage of higher-yielding unsecured loans in the portfolio and lower rates of charge on real estate loans.

Insurance investment income was $193, $142 and $101 in 1985, 1984 and 1983, increasing mainly due to a higher level of investments.

Insurance benefits and policy reserve increase is comprised of two elements. One element, insurance benefits, declined 9% in 1985 because of decreases in the Company's property and casualty reinsurance business, partially offset by increased annuity payments. Insurance benefits were up 62% in 1984 versus a 31% decrease in 1983 primarily because of poor underwriting experience in the property and casualty business as well as an increase in annuity benefit payments emanating from the higher levels of annuity premium writings in recent years. The 1983 decline was mainly attributable to a lower level of non-property and casualty reinsurance. The property and casualty loss ratios were 126%, 134% and 101% in 1985, 1984 and 1983. The increases in 1984 and 1983 were a result of adverse loss development. The other element, policy reserve increase, grew 72% in 1985 entirely due to higher annuity writings. The 1983 increase was because of higher ordinary life and annuity premium writings, which substantially offset the decline in insurance benefits.

Interest expense increased 3% in 1985 and 19% in 1984 after decreasing 6% in 1983. The 1985 increase occurred as higher average borrowings versus the prior year more than offset lower interest rates. About 69% of the increase in 1984 resulted from more borrowings with 31% due to higher interest rates. The preponderance of the 1983 decline was due to lower average interest rates.

The provision for credit losses was flat in 1985 after declining 14% in 1984 and 10% in 1983. In 1985 higher chargeoffs were offset by reduced reserve requirements as a result of lower internal growth in receivables, while the improvement in 1984 resulted from lower chargeoffs. During 1983, a drop in chargeoffs was partially offset by reserve requirements on the increase in receivables. Chargeoffs as a percentage of average receivables were 1.31% in 1985, up slightly from 1.27% in 1984 but down from 1.73% in 1983. The increase in the chargeoff percentage is primarily due to upward delinquency trends in the credit card segment.

The effective income tax rates were 36.5%, 1.1% and 24.8% in 1985, 1984 and 1983. These rates are lower than the U.S. statutory tax rate of 46% principally because investment income includes interest on tax-free municipal bonds and dividends (only 15% of dividends are taxable). For 1984, taxes were further reduced by $14.0 representing the effect of 1984 changes in the tax law for life insurance companies ("fresh start" adjustment) and, additionally, by $6.4 resulting from reduced foreign income subject to taxes. Further fluctuations were primarily because non-taxable items and tax credits did not increase in the same proportion as pre-tax income.

Income from continuing operations rose 11% in 1985, was flat in 1984 and increased 37% in 1983. The increase in 1985 was primarily due to Consumer Finance earnings and secondarily, to an increase in Insurance Group income. The Consumer Finance Group's income was up $6.7 (6%) over 1984, and the Insurance Group's earnings increased to $5.0 in 1985 from $1.9. In 1984 a 16% increase in consumer finance income was entirely offset by lower insurance earnings. The increase in 1983 resulted from improved earnings of the Consumer Finance Group offset in part by lower Insurance earnings.

The Company's overall net income declined 5% in 1985 as income from discontinued operations declined sharply and offset improvement in continuing operations. The 1984 net income results were flat as improvement in consumer finance operations and Merchandising Division earnings was negated by the earnings decline in insurance operations.

The ratio of earnings to fixed charges (based on income from continuing operations) was 1.29 to 1 in 1985, 1.20 to 1 in 1984 and 1.30 to 1 in 1983. The 1985 improvement was due to higher pre-tax income. The 1984 decline was the result of higher interest expense and lower insurance earnings.

Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1985	1984	(in millions)	1985	1984	1983
		Cash Provided by Operations and Retained in the Business			
$ 24.8	$ 21.6	Income From Continuing Operations	$ 99.9	$ 89.7	$ 90.1
		Add (Deduct) Items Not Requiring Cash Outlay			
39.6	128.3	Increase in Insurance Reserves	439.7	374.7	236.8
45.3	34.5	Provision for Credit Losses (before recoveries)	115.4	108.2	125.5
24.5	(21.0)	Provision for Deferred Income Taxes	43.0	(23.8)	18.6
(18.3)	(19.6)	Other	38.0	38.6	65.1
115.9	143.8	Cash Provided by Operations	736.0	587.4	536.1
		Dividends Paid			
(4.0)	(3.7)	Preferred	(16.7)	(16.9)	(17.1)
(9.9)	(10.8)	Common	(43.4)	(44.0)	(44.1)
102.0	129.3		675.9	526.5	474.9
		Financing Transactions			
310.4	249.3	Increase (Decrease) in Short-Term Debt	414.4	376.8	79.6
17.6	175.2	Long-Term Debt Issued	271.1	846.8	538.3
(62.6)	(121.2)	Long-Term Debt Paid	(361.9)	(580.3)	(252.3)
(16.7)	—	Redemption of Preferred Stock	(16.7)	—	—
9.2	33.3	Increase (Decrease) in Accounts Payable	(31.9)	76.3	(32.3)
57.8	7.7	Increase (Decrease) in Deposits Payable	97.3	22.5	6.9
315.7	344.3		372.3	742.1	340.2
		Investments in Operations			
(263.8)	(273.5)	Decrease (Increase) in Principal of Finance Receivables (before chargeoffs and foreign currency fluctuations)	(524.2)	(852.8)	(752.0)
(284.1)	—	Purchases of Credit Card Portfolios	(292.3)	(13.8)	(24.1)
(20.7)	(81.8)	Decrease (Increase) in Other Receivables	14.0	(98.1)	(72.7)
(92.1)	(125.0)	Decrease (Increase) in Investments	(459.6)	(338.3)	(43.4)
283.5	6.8	Net Proceeds From Discontinued Operations (including sale of foreign subsidiaries)	330.2	(6.0)	42.9
—	—	Proceeds From Pension Plan Restructuring	—	50.6	—
(7.6)	(10.6)	Additions to Property and Equipment (net)	(31.8)	(29.7)	(7.5)
(43.7)	2.6	Other	(83.1)	19.0	(4.8)
(428.5)	(481.5)		(1,046.8)	(1,269.1)	(861.6)
(10.8)	(7.9)	Increase (Decrease) in Cash	1.4	(.5)	(46.5)
150.4	146.1	Cash at Beginning of Period	138.2	138.7	185.2
$139.6	$ 138.2	Cash at End of Period	$ 139.6	$ 138.2	$ 138.7

See Notes to Financial Statements.

Management's Discussion and Analysis of Changes in Financial Position (amounts in millions)

Beneficial's principal sources of cash generally are collections of finance receivables, proceeds from the issuance of long and short-term debt, and cash provided by operations.

During 1985, in addition to the above, a major source of cash was proceeds received from the sale of the Company's Merchandising Division, Western Auto Supply Company and Subsidiaries. While the acquisition of credit card portfolios temporarily increased the level of short-term debt, the Western Auto proceeds brought short-term debt roughly back to the pre-acquisition level.

As a percentage of average monthly balances, monthly cash principal collections from customers increased to 4.63% in 1985 from 4.05% in 1984 due mainly to a larger percentage of credit card receivables in the portfolio. A large portion of these receivables are paid off in less than a year. The percentage of monthly cash principal collections to average monthly balances decreased to 4.05% in 1984 from 4.22% in 1983 due to a reduction in prepayments and an increasing amount of longer-term real estate secured loans in the portfolio.

The Company finances its operations largely through the issuance of long-term debt. One of the Company's major financial strengths is its ability to raise long-term debt in a wide variety of domestic and international markets. The Company has strong liquidity because of its substantial access to worldwide credit sources as well as regular cash collections.

The primary source of short-term funds for the Company is commercial paper supported by bank lines of credit and revolving credit lines. The total of all lines of credit is in excess of $1,300, with $568 in the form of committed two-year revolving credit facilities. At December 31, 1985, the unused portions of all lines of credit were $1,184.

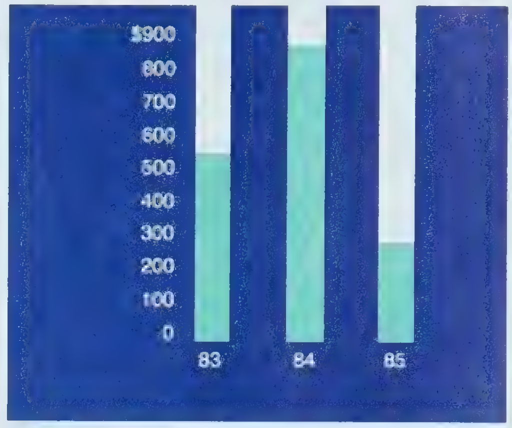
In 1984 the Company received $50.6 in excess assets from restructuring its domestic pension plan. This gain is being amortized against future pension expense.

Beneficial's principal uses of cash generally are loans to customers, repayments of maturing debt, purchases of investments, and dividends paid to shareholders.

Supplementary Financial Data Adjusted for General Inflation is on page 46.

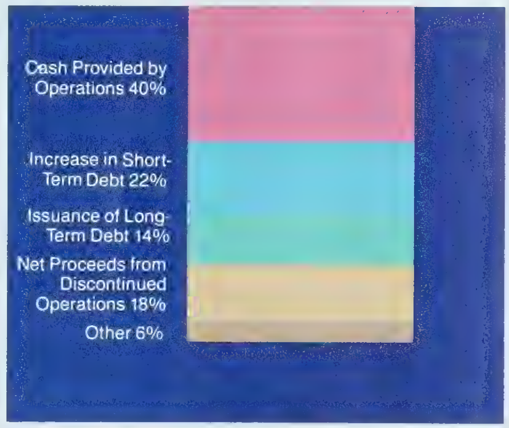
Long-Term Debt Issued During The Year

For The Year Ended December 31 (in millions)



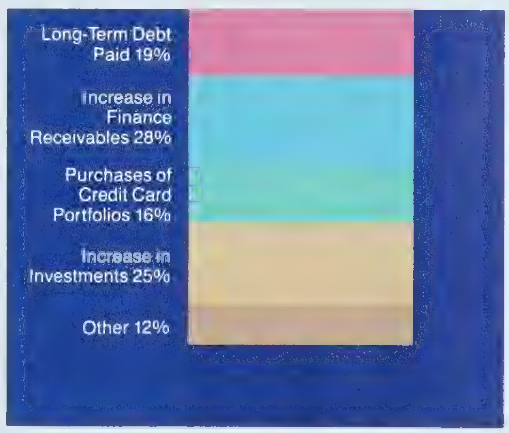
Sources of Cash

For the Year Ended December 31, 1985



Uses of Cash

For the Year Ended December 31, 1985



Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The consolidated financial statements include, after inter-company eliminations, the accounts of all significant subsidiaries except discontinued operations.

Certain prior period amounts have been reclassified to conform with the 1985 presentation.

b) Finance Operations. The financial statements except for certain consumer finance revenue are prepared on the accrual basis.

Finance charges on discounted loans are generally taken into income as earned and collected under the sum-of-the-digits method. Interest from interest-bearing direct cash loans is taken into income as collected. Finance charges on bank credit card receivables are taken into income as earned.

Receivables considered to be uncollectible or to require disproportionate collection costs are charged to the reserve for credit losses, but collection efforts are generally continued.

c) Insurance Operations. Insurance subsidiaries are engaged primarily in writing credit life, credit accident and health, property and casualty insurance, and annuities. Premiums on credit life insurance are taken into income on the sum-of-the-digits method when the insured amounts decrease with collections, or on the straight-line method over the lives of the policies in the case of level-term contracts. Premiums on credit accident and health contracts are generally taken into income on an average of the sum-of-the-digits and the straight-line methods. Property and casualty premiums are taken into income on the straight-line method. Premiums on life insurance and annuities are recognized as income when due.

Policy reserves for credit life, credit accident and health, and property and casualty are equal to related unearned premiums. Credit accident and health reserves are adjusted to reflect claim experience. Liabilities for future life insurance benefits and annuity policies are accrued when premium revenue is recognized and have been computed using assumptions as to investment yields, mortality, morbidity and withdrawals and are presented net of reinsurance ceded.

Liabilities for policy and contract claims are based upon estimates of payments to be made for individual claims and claim expenses reported and for those losses and claim expenses incurred but unreported. Such estimates are reviewed regularly, and any changes in the estimates are recognized in income currently.

Insurance policy acquisition costs are deferred and amortized over the lives of the policies in relation to premium revenue.

d) Valuation of Investments. Debt securities are carried at amortized cost; equity securities (substantially all marketable) are generally carried at market value, and other investments are carried at cost. The adjustment of the carrying amount of marketable equity securities from cost to market value is not reflected in the income statement but is recorded directly in shareholders' equity through a valuation allowance.

e) Corporate Expense. Administrative expenses and interest related to general corporate activities have not been allocated to Consumer Finance Group and Insurance Group segments as these costs are common expenses not applicable to a particular group. A reconciliation of the Consumer Finance Group's and Insurance Group's net income to total net income appears in the Eleven-Year Summary on pages 48-49.

f) Amortization of Excess Cost of Net Assets Acquired. Excess cost applicable to acquisitions is generally being amortized over 40 years.

g) Earnings Per Common Share. Earnings per common share are computed by deducting from net income dividend requirements on preferred stocks and dividing the remainder by average shares outstanding and their equivalents. None of the preferred stocks are common stock equivalents.

2. Discontinued Operations

In 1985, the Company sold its Merchandising Division, Western Auto Supply Company and Subsidiaries, to Wesray Capital Corporation. Including the repayment of all intercompany accounts, the Company received proceeds of $343.9, comprised largely of cash ($302.7) with the remainder in Western Auto preferred stock and a note. The transaction resulted in a loss on disposal of $7.4 (after an income tax benefit of $4.3), $.34 a share. The loss on disposal and the income from operations prior to September 30, 1985, are included in discontinued operations in the income statement. Revenues from non-consolidated discontinued operations were $549.2 (for nine months), $697.7 and $650.3 in 1985, 1984 and 1983.

3. Finance Receivables

The principal of finance receivables and maximum term (in months from origination) are as follows:

	Amount		Maximum Term	
December 31	**1985**	1984	**1985**	1984
			(months)	
Real Estate Secured Loans	**$3,127**	$2,909	**180**	180
Personal Unsecured Loans	**1,361**	1,209	**120**	120
Bank Credit Card Receivables	**1,052**	749	**135**	135
Sales Finance Contracts	**417**	311	**60**	60
Lease Receivables	**163**	190	**216**	300
Total Principal of Finance Receivables	**$6,120**	$5,368		

Scheduled contractual payments of finance receivables to be received after December 31,1985 are as follows:

	1986	1987	1988	1989	Beyond
Real Estate Secured Loans	18%	13%	13%	13%	43%
Personal Unsecured Loans	43	30	16	5	6
Bank Credit Card Receivables	17	14	12	10	47
Sales Finance Contracts	59	20	10	5	6
Lease Receivables	13	7	4	3	73
Overall	26	17	13	10	34

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal of finance receivables amounted to $3,043.5 for 1985 and $2,528.6 for 1984.

The percentage of monthly cash principal collections to average monthly balances was 4.63% for 1985 and 4.05% for 1984.

4. Investments

Investments are principally Insurance Group long-term investments.

Investments consist of the following:

December 31	1985		1984	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities				
Commercial Paper	**$ 35.0**	**$ 35.0**	$ 18.3	$ 18.3
U.S. Government Obligations	**373.3**	**401.1**	365.5	365.9
Foreign Government Obligations	**31.3**	**38.0**	44.0	38.9
Municipal Bonds	**345.9**	**299.5**	339.8	259.9
Convertible Bonds	**3.4**	**3.3**	3.8	3.4
Non-Convertible Bonds	**838.2**	**930.3**	400.8	403.5
Other	**254.1**	**254.1**	213.1	213.1
	1,881.2	**1,961.3**	1,385.3	1,303.0
Equity Securities				
Preferred Stocks	**82.4**	**82.4**	53.3	53.3
Common Stocks	**24.2**	**24.2**	76.5	76.5
	106.6	**106.6**	129.8	129.8
Other	**36.4**	**36.4**	13.2	13.2
Total Investments	**$2,024.2**	**$2,104.3**	$1,528.3	$1,446.0

Equity securities had a cost of $107.6 at December 31, 1985 and $145.8 at December 31, 1984. Realized gains and losses are determined on the specific cost identification basis. Net unrealized loss on equity securities is as follows:

December 31	1985	1984
Unrealized Losses	**$(8.8)**	$(19.0)
Less Unrealized Gains	**7.8**	3.0
Net Unrealized Loss	**$(1.0)**	$(16.0)

Notes to Financial Statements (continued)
(amounts in millions)

5. Other Assets

December 31	1985	1984
Accrued Interest	$ 64.1	$ 41.6
Excess Cost of Net Assets Acquired	50.8	53.1
Property Acquired by Foreclosure	19.9	16.4
Unamortized Account Acquisition Costs	57.9	8.9
Unamortized Insurance Policy Acquisition Costs	119.2	98.8
Unamortized Long-Term Debt Expense	19.9	31.8
Other	84.0	80.3
Total Other Assets	$415.8	$330.9

6. Short-Term Debt

December 31	1985	1984
Bank Borrowings	$ 195.0	$220.8
Commercial Paper	1,054.9	614.7
Total Short-Term Debt	$1,249.9	$835.5

Average interest rates (including the costs of maintaining lines of credit) on borrowings outstanding at year end are as follows:

	1985	1984	1983
Bank Borrowings	9.94%	11.01%	11.53%
Commercial Paper	8.23	9.38	9.65

The unused portion of bank lines of credit at December 31, 1985 and 1984 is $1,183.9 and $567.3. Generally, domestic lines of credit provide for a fee of ¼% per annum on the lines.

The weighted average annual interest rates (including the costs of maintaining lines of credit) and additional data for short-term debt are as follows:

	1985	1984	1983
Maximum Amount at Any Month End	$1,310.0	$841.3	$583.0
Daily Average Amount	965.9	632.4	436.3
Average Interest Rates on Borrowings During the Year			
U.S. Dollar	8.69%	10.72%	10.24%
Foreign Currency	11.26	12.50	11.43
Overall	9.17	11.33	10.78

The Company has effectively fixed the rate of interest paid on $117.0 of short-term borrowings at an average melded rate of 11.54% by entering into interest exchange agreements having contractual terms ranging from seven to ten years.

7. Accounts Payable and Accrued Liabilities

December 31	1985	1984
Accounts Payable	$103.2	$117.5
Accrued and Deferred Compensation	27.2	22.7
Accrued Interest	120.0	116.0
Deferred Income Taxes	34.2	—
Taxes Payable	40.6	27.3
Dealer Reserves	16.3	16.4
Insurance Premiums Payable	53.5	67.3
Unamortized Proceeds from Pension Plan Restructuring	39.4	44.3
Other	22.7	20.8
Total Accounts Payable and Accrued Liabilities	$457.1	$432.3

8. Long-Term Debt and Restrictions on Additional Capital and Retained Earnings

Long-term debt outstanding is as follows:

December 31	1985	1984
By Currency		
United States	$3,760.6	$3,790.0
British	75.7	70.0
Canadian	76.3	87.6
Other	70.1	102.8
Unamortized Discount	(61.6)	(73.3)
Total Long-Term Debt	$3,921.1	$3,977.1
By Maturity		
1985	$ —	$ 375.3
1986	452.4	311.8
1987	491.3	590.8
1988	427.4	394.9
1989	272.4	253.6
1990	347.6	234.9
1991–1995	1,202.6	1,102.6
1996–2000	252.0	252.0
2001–2005	234.5	234.5
2006–2013	302.5	300.0
Unamortized Discount	(61.6)	(73.3)
Total Long-Term Debt	$3,921.1	$3,977.1
Subordinated Debt Included Above	$ 50.0	$ 50.0
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	10.21%	10.41%

Long-term debt at December 31, 1985 includes $392.7 for which the holder may elect payment prior to maturity. Such debt is shown above in the earliest year it could become payable.

Certain indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1985 and 1984, the amounts of all unrestricted additional capital and retained earnings, under the most restrictive of these covenants, are approximately $158.4 and $349.7.

9. Capital Stock

The number of shares of capital stock is as follows:

Issued and Outstanding	December 31 1985	1984
Preferred—no par value (issuable in series). Authorized, 500,000 9.25% Series Redeemable Preferred— $1,000 stated value.	108,334	125,000
Preferred—$1 par value Authorized, 2,500,000	—	—
5% Cumulative Preferred— $50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred— no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $5,791,700 and $6,589,100). Authorized, 1,164,077	57,917	65,891
$4.50 Dividend Cumulative Preferred—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred—no par value— $100 stated value. Authorized, 1,069,204	836,585	836,585
Common—$1 par value. Authorized, 60,000,000	22,536,928(b	22,335,519(b
After deducting treasury shares		
a) 5% Cumulative Preferred	178,012	178,012
b) Common	4,585,478	4,751,012

At December 31, 1985, a total of 676,373 shares of Common Stock were reserved for conversion of the $5.50 Preferred and the 10.5% Convertible Instalment Notes. During the year, 165,534 treasury shares were issued upon conversion of the Notes, thereby increasing Additional Capital by $4.0.

Notes to Financial Statements (continued)
(amounts in millions)

10. Redeemable Preferred Stock

Dividends on the 9.25% Series Redeemable Preferred Stock, which are cumulative, are payable quarterly at $23.125 per share. Beginning November 15, 1985 and annually through November 15, 1999, the Company is required to redeem 8,333 shares of the stock through a sinking fund at $1,000 per share. Sinking fund payments are cumulative. The Company may, at its option, increase the sinking fund payment by 8,333 shares annually up to an aggregate of 43,750 shares. During 1985, the Company redeemed 16,666 shares. The Company has the right to redeem the stock beginning November 15, 1989 at an initial redemption price of $1,043.82 per share, declining ratably thereafter to $1,000 per share. Unless dividend and sinking fund payments on this stock are current, the Company may not pay dividends or make other distributions or purchase, redeem, or retire any issues of stock junior to this issue. Upon the arrearage of six quarterly dividends on any series of the Preferred Stock, the holders of the 9.25% Series Preferred Stock with the holders of other series of the Preferred Stock voting as a class would be entitled to elect two members of the Board of Directors.

11. Accumulated Foreign Currency Translation Adjustments

Assets and liabilities in foreign currencies are translated at the market rate at each balance sheet date. Foreign operating results are translated at the average market rate for each period covered by the statement of income.

An analysis of changes in accumulated foreign currency translation adjustments follows:

December 31	1985	1984
Balance at Beginning of Year	$(18.4)	$(15.9)
Adjustments for the Year	(3.1)	2.6
Related Income Taxes	5.7	(12.2)
Sales of Subsidiaries (net of taxes)	2.2	7.1
Balance at End of Year	$(13.6)	$(18.4)

12. Employee Retirement Plans

During 1983 the Company terminated its domestic retirement plan and replaced it with a restructured program providing the participants with equal or increased future retirement benefits. The restructured program covers substantially all employees in the United States. All participants in the terminated plan were 100% vested, and annuity contracts were purchased to provide benefits. Excess assets of $50.6 were returned to the Company and are being amortized against future retirement plan costs.

Net pension expense for domestic operations was $1.8, $1.1, and $.3 for 1985, 1984 and 1983. The Company has made annual contributions to the plans at least equal to the amounts accrued for retirement expense. Pension expense for the Company's foreign subsidiaries is immaterial.

Accumulated plan benefits and plan net assets for the Company's domestic retirement plan are:

January 1	1985	1984
Actuarial Present Value of Accumulated Plan Benefits		
Vested	$ 3.4	$ .5
Nonvested	7.2	4.1
Total Actuarial Present Value of Accumulated Plan Benefits	$10.6	$4.6
Net Assets Available for Benefits	$ 5.2	$1.1

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9% in 1985 and 1984.

13. Income Taxes

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including the Merchandising Division prior to its disposition. Income taxes, whether payable currently or in the future, are provided on reported earnings. U.S. income taxes have not been

provided on retained earnings of foreign subsidiaries, as these earnings are expected to be permanently invested in foreign countries.

The provision for income taxes is comprised of:

	1985	1984	1983
Current			
U.S.	$ (6.3)	$ 8.6	$(11.4)
Foreign	10.9	7.9	16.3
Total	4.6	16.5	4.9
Deferred			
U.S.	39.4	(26.0)	17.4
Foreign	3.6	2.2	1.2
Total	43.0	(23.8)	18.6
Investment Tax Credit Deferred	1.9	2.0	—
State and Local	8.0	6.3	6.2
Total Provision for Income Taxes	$57.5	$ 1.0	$ 29.7

Deferred income taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes and relate to:

	1985	1984	1983
Differences Between Cash and Accrual Basis	$ 5.0	$ 1.7	$ 7.5
Insurance Benefits Provided	4.5	(11.2)	4.2
Leasing Transactions	14.9	8.5	18.4
Provision for Credit Losses	(.5)	(.7)	(.6)
Tax Credits Applied to Deferred Taxes	—	9.0	(9.0)
Insurance Policy Acquisition Costs	2.0	4.6	.5
Recomputation of Insurance Reserves	—	(14.0)	—
Deferred Retirement Plan Credits	2.3	(20.4)	—
Reinsurance Transactions	6.8	—	—
Life Insurance Operating Losses	5.6	(2.6)	(4.5)
Other	2.4	1.3	2.1
Total Provision for Deferred IncomeTaxes	$43.0	$(23.8)	$18.6

A reconciliation of the provision for income taxes at the statutory U.S. income tax rate to the tax provision as reported follows:

	1985	1984	1983
Statutory U.S. Tax Rate	46.0%	46.0%	46.0%
Increase (Decrease) Resulting From:			
Differences Between U.S. Rate and Effective Foreign Tax Rates	(4.1)	(6.8)	(3.3)
Non-Taxable Investment Income	(6.6)	(11.0)	(8.1)
Deduction for Life Insurance Companies	(1.1)	(1.6)	(1.9)
Foreign Tax Credit	—	(3.4)	(2.8)
Investment Tax Credit	(1.6)	(2.4)	(5.8)
State and Local Income Taxes, After Federal Income Taxes	2.7	3.7	2.8
Recomputation of Insurance Reserves	—	(19.6)	—
Other	1.2	(3.8)	(2.1)
Effective Tax Rate	36.5%	1.1%	24.8%

14. Leases

The Company's consumer finance system operates from premises under leases generally having an original term of five years with a renewal option for a like term. The Company also leases an office complex with a primary term expiring in 2010 and renewal options totaling forty-seven years. Data processing equipment lease terms range from two to five years and are generally renewable. The minimum rental commitments under noncancelable operating leases at December 31, 1985 are as follows:

1986	$ 26.4
1987	28.0
1988	30.2
1989	27.2
1990	25.0
1991–1995	120.1
1996–2015	393.8
Total	$650.7

Notes to Financial Statements (concluded)
(amounts in millions)

15. Segment Information

The Company's principal operations are comprised of the Consumer Finance Group and the Insurance Group for which segment data is presented on pages 44 and 45. Inter-group eliminations are not material.

Operations of the Company are primarily in the United States. Foreign operations are conducted through subsidiaries in Canada, the United Kingdom and West Germany. In 1985 the Company sold operations in New Zealand and Ireland with finance receivables of $32.7, and in 1984 the Company sold operations in Australia and Japan with finance receivables of $216.3. These operations were sold for approximately net book value.

The Company generally attempts to limit its after-tax exposure to foreign exchange fluctuations by borrowing or selling forward in the same currencies as its assets. In the aggregate, amounts denominated in foreign currencies after translation to U.S. dollar equivalents are:

December 31	1985	1984
Assets	$ 652.6	$ 642.2
Liabilities	799.7	804.2
Net Assets (Liabilities)	$(147.1)	$(162.0)

Data by geographic area follows:

	Revenue			Income Before Income Taxes			Identifiable Assets	
	1985	1984	1983	1985	1984	1983	1985	1984
Geographic Area								
United States	$1,925.0	$1,592.0	$1,411.5	$142.0	$68.8	$ 90.6	$8,137.1	$6,941.9
Foreign	229.2	309.4	244.5	15.4	21.9	29.2	1,442.5	1,602.3
Intersegment Eliminations	(95.2)	(96.8)	(74.1)	—	—	—	(861.4)	(809.8)
Total	$2,059.0	$1,804.6	$1,581.9	$157.4	$90.7	$119.8	$8,718.2	$7,734.4

The assets above are classified by their identification with operations in each geographic area without regard to currency denominations.

16. Commitments and Contingent Liabilities

At December 31, 1985, Beneficial was contingently liable under agreements relating to the financing and development of a condominium project in Texas, entered into by Wasco Properties, Inc., a non-consolidated subsidiary. Pursuant to such agreements, and subject to certain terms and conditions, the subsidiary would be obligated to a maximum of $75.0 plus accrued interest to purchase condominium units which at the time had not been sold to third parties by the project developer or others should certain events occur.

17. Selected Financial Data

Selected unaudited financial data required by the Securities and Exchange Commission are included in the Data by Calendar Quarter—Supplemental Information, page 47 and in the Eleven-Year Summary—Supplemental Information, page 48.

ACCOUNTANTS' OPINION

The Board of Directors and Shareholders
of Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1985 and 1984 and the related statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Beneficial Acceptance Corporation (a consolidated subsidiary), which statements reflect revenue of $10.2, $14.7 and $14.4 million, respectively, for each of the three years ended December 31, 1985. We also did not examine the financial statements of the Merchandising Division, the equity in net assets and net income of which are included in discontinued operations. The financial statements of the aforementioned company and division were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such company and division is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1985 and 1984 and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1985 in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Morristown, New Jersey
February 4, 1986

Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1985	1984	(in millions)	1985	1984	1983
		Net Finance Revenue			
$ 285.3	$271.3	Finance Charges and Fees	**$1,086.4**	$1,035.7	$ 919.7
122.1	119.4	Interest Expense	**463.0**	448.0	369.1
163.2	151.9	Gross Margin	**623.4**	587.7	550.6
15.3	7.6	Other Revenue	**61.0**	59.3	64.2
178.5	159.5	Total	**684.4**	647.0	614.8
		Operating Expenses			
43.5	36.5	Salaries and Employee Benefits	**176.3**	169.0	165.6
30.2	30.0	Provision for Credit Losses (less recoveries)	**87.8**	88.3	103.0
12.5	12.2	Rent	**48.5**	49.0	47.1
11.7	3.3	Advertising	**27.4**	21.1	21.7
4.3	2.7	Depreciation	**15.1**	11.0	11.2
2.4	2.0	Postage and Express	**9.0**	8.0	8.1
3.3	2.8	Printing and Stationery	**10.6**	10.5	8.5
4.5	3.6	Telephone	**16.2**	16.0	15.9
2.8	2.5	Travel	**10.0**	9.6	10.2
18.9	16.2	Other	**66.0**	66.3	59.4
134.1	111.8	Total	**466.9**	448.8	450.7
44.4	47.7	**Income Before Income Taxes**	**217.5**	198.2	164.1
17.7	21.4	Provision for Income Taxes	**99.1**	86.5	68.0
$ 26.7	$ 26.3	**Net Income**	**$ 118.4**	$ 111.7	$ 96.1

Supplemental Information

		During the Period			
$1,039.5	$851.7	New Funds Lent to Customers	**$3,466.4**	$3,172.5	$2,804.0
339.1	49.8	Principal of Finance Receivables Purchased	**500.2**	249.6	188.2
23.3	22.3	Finance Receivables Charged Off (less recoveries)	**77.3**	70.4	83.6
19.54%	19.92%	Annual Percentage Rate of Finance Charges and Fees Collected	**19.47%**	19.89%	20.53%
		Average Amount of Transaction (in dollars)	**$ 2,530**	$ 2,306	$ 2,589
		At End of Period			
		Total Assets	**$6,323.4**	$5,629.1	$5,136.5
		Number of Consumer Finance Offices	**1,118**	1,155	1,347

Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1985	1984	(in millions)	1985	1984	1983
		Revenue			
$ 93.6	$151.7	Premium Revenue	$ 711.3	$ 565.1	$ 500.8
55.4	39.8	Investment Income (net)	193.3	142.1	101.2
2.6	2.2	Other Income	8.7	8.9	7.7
151.6	193.7	Total	913.3	716.1	609.7
		Benefits and Expenses			
59.6	126.8	Policy Benefits	353.3	386.2	238.2
41.8	67.2	Policy Reserve Increase	417.5	242.4	244.5
26.4	20.2	Commissions and Brokerage	116.3	104.2	81.6
5.2	4.8	Salaries and Employee Benefits	17.8	15.8	13.8
(.2)	4.5	Decrease (Increase) in Unamortized Policy Acquisition Costs	(20.4)	(14.3)	(14.4)
1.1	1.8	Licenses and Taxes	5.9	6.3	5.9
9.2	7.2	Other Expenses	31.5	25.0	24.2
143.1	232.5	Total	921.9	765.6	593.8
8.5	(38.8)	**Income (Loss) Before Income Taxes**	(8.6)	(49.5)	15.9
1.5	(41.5)	Provision for Income Taxes	(15.4)	(58.0)	(10.2)
7.0	2.7	**Income Before Realized Net Investment Gain**	6.8	8.5	26.1
(.3)	2.6	Realized Net Investment Gain (Loss), After Income Taxes	12.8	6.2	3.5
6.7	5.3	**Income Before Interest Allocation**	19.6	14.7	29.6
(3.7)	(3.8)	Interest Expense Related to Investment in Insurance Group, After Income Taxes	(14.6)	(12.8)	(11.4)
$ 3.0	$ 1.5	**Net Income**	$ 5.0	$ 1.9	$ 18.2

Supplemental Information

		During the Period			
$ 96.2	$161.4	Premiums Written	$ 720.8	$ 598.0	$ 505.7
.78	1.42	Ratio of Premiums Written to Shareholder's Equity (annualized)	1.47	1.31	1.29
		At End of Period			
		Investments	$1,988.1	$1,480.9	$1,098.2
		Unamortized Policy Acquisition Costs	119.2	98.8	84.5
		Total Assets	2,541.5	1,921.1	1,519.0
		Insurance Policy and Claim Reserves	1,801.0	1,361.3	986.6
		Shareholder's Equity	491.1	455.5	393.2
		Life Insurance in Force	7,861.8	7,230.2	7,115.6

Supplementary Financial Data Adjusted for General Inflation
(amounts in millions)

The Financial Accounting Standards Board in its Statements No. 82 and No. 33 requires that selected historical financial data be restated to reflect the effects of inflation using one of two methods of measurement: the constant dollar method or the current cost method. The constant dollar method requires that the historical cost data of the primary financial statements be adjusted for general inflation using the Consumer Price Index for All Urban Consumers (CPI-U). The current cost method requires that the historical cost data of the primary financial statements be adjusted for the effects of changes in values of specific assets; property and equipment, the specific asset of the Company affected by the requirement, is relatively insignificant to the operations of the Company. Current cost amounts do not differ materially from constant dollar amounts presented below.

The table below shows the effect of adjusting selected financial data to average 1985 dollars. As most of the Company's assets and liabilities are monetary in nature and fixed in terms of the amount of cash to be received or paid, they require no adjustment to income from continuing operations. Property and equipment was restated to average 1985 dollars using the CPI-U, which resulted in higher depreciation expense and, consequently, reduced income from continuing operations by $2.6. SFAS No. 33 requires that no adjustment be made to the provision for income taxes for the additional depreciation expense. Revenue and other expense items were not restated as they are assumed to have occurred proportionately to the CPI-U over the course of the year.

The decline in purchasing power of net monetary assets held is shown as a separate line item and is not included as an adjustment to income from continuing operations.

Net assets at year-end 1985 were calculated by reducing shareholders' equity by the historical cost of property and equipment and converting the remaining shareholders' equity to average 1985 dollars. To this figure is added the constant dollar property and equipment balance. The data presented herein should not be viewed as a precise calculation of the effects of inflation.

Management Strategies for Coping With Inflation

The current year results benefited from a moderate inflationary environment. Implementation of various corporate programs has ensured that resources are efficiently utilized and costs are adequately controlled. To minimize the impact of inflation and the effects of volatile interest rates, the Company is originating an increasing amount of variable-rate receivables which are funded by short-term debt. In addition, the Company is rapidly expanding its bank credit card business, which also provides protection in some cases against volatility in short-term interest rates. Management believes these practices will help contribute to the maximization of profits in an inflationary environment and will reduce the impact of any significant rise in interest rates.

Five-Year Summary of Selected Supplementary Financial Data Adjusted for General Inflation (Unaudited)
(in 1985 dollars)

Years Ended December 31	1985	1984	1983	1982	1981
Revenue	$2,059.0	$1,869.0	$1,708.1	$1,669.1	$1,785.9
Income From Continuing Operations	97.3	90.8	95.1	71.7	60.1
Net Assets at Year End	1,045.3	1,031.7	1,045.7	1,021.3	1,183.8
Per Common Share					
Income From Continuing Operations	3.65	3.30	3.42	2.35	1.79
Cash Dividends	2.00	2.07	2.16	2.23	2.37
Market Price at Year End	48.50	34.95	36.44	27.31	23.80
Decline in Purchasing Power of Net Monetary Assets Held	28.4	24.2	21.9	16.0	40.3
Average Consumer Price Index	322.2	311.1	298.4	289.1	272.4

Data by Calendar Quarter

Supplemental Information	1985				
(in millions, except per share figures)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 561.1	$ 560.7	$ 493.1	$ 444.1	$2,059.0
Income Before Income Taxes	$ 37.4	$ 38.5	$ 45.2	$ 36.3	$ 157.4
Net Income					
Income From Continuing Operations	$ 24.4	$ 24.7	$ 26.0	$ 24.8	$ 99.9
Income (Loss) From Discontinued Operations	2.7	3.9	(5.3)	—	1.3
Total	$ 27.1	$ 28.6	$ 20.7	$ 24.8	$ 101.2
Earnings Per Common Share					
Continuing Operations	$ .91	$ .93	$ .99	$ .93	$ 3.76
Discontinued Operations	.13	.17	(.24)	—	.06
Total	$ 1.04	$ 1.10	$ .75	$ .93	$ 3.82
Common Stock					
High Sales Price	$ 37.50	$ 45.50	$ 45.00	$ 49.50	
Low Sales Price	31.625	36.375	37.00	38.125	
Dividends Paid Per Share	.50	.50	.50	.50	$ 2.00

	1984				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 445.1	$ 480.1	$ 406.5	$ 472.9	$1,804.6
Income (Loss) Before Income Taxes	$ 35.0	$ 32.6	$ 28.2	$ (5.1)	$ 90.7
Net Income					
Income From Continuing Operations	$ 23.1	$ 20.7	$ 24.3	$ 21.6	$ 89.7
Income From Discontinued Operations	3.1	4.0	3.3	6.2	16.6
Total	$ 26.2	$ 24.7	$ 27.6	$ 27.8	$ 106.3
Earnings Per Common Share					
Continuing Operations	$ .84	$ .73	$ .91	$ .79	$ 3.27
Discontinued Operations	.14	.18	.15	.28	.75
Total	$ .98	$ .91	$ 1.06	$ 1.07	$ 4.02
Common Stock					
High Sales Price	$ 35.50	$27.875	$ 32.25	$ 34.00	
Low Sales Price	25.25	23.00	24.125	27.75	
Dividends Paid Per Share	.50	.50	.50	.50	$ 2.00

Eleven-Year Summary

Supplemental Information (amounts in millions, except where noted)	1985	1984
During The Year		
Net Income		
Consumer Finance Group	$ 118.4	111.7
Insurance Group	$ 5.0	1.9
Corporate Expenses	$ (23.5)	(23.9)
Income From Continuing Operations	$ 99.9	89.7
Income (Loss) From Discontinued Operations	$ 1.3	16.6
Net Income (Loss)	$ 101.2	106.3
Earnings Per Common Share (dollars)		
Continuing Operations	$ 3.76	3.27
Discontinued Operations	$ .06	.75
Net Income (Loss)	$ 3.82	4.02
Average Number of Common Shares	22.1	22.2
Dividends Paid Per Common Share (dollars)	$ 2.00	2.00
Revenue	$2,059.0	1,804.6
Interest	$ 520.2	503.9
Provision for Credit Losses (less recoveries)	$ 87.8	88.3
Total Expenses	$1,901.6	1,713.9
Income Before Income Taxes	$ 157.4	90.7
% Return on Average Assets (a)	1.24	1.29
% Return on Average Equity (includes redeemable preferred stock) (a)	12.43	12.65
% of Monthly Cash Principal Collections to Average Monthly Balances	4.63	4.05
% of Finance Receivables Charged Off (less recoveries) to Average Monthly Balances	1.31	1.27
At Year End		
Principal of Finance Receivables	$6,119.5	5,367.5
Reserve for Credit Losses	$ 234.4	212.4
Total Assets	$8,718.2	7,734.4
Short-Term Debt (bank notes and commercial paper)	$1,249.9	835.5
Long-Term Debt	$3,921.1	3,977.1
Redeemable Preferred Stock	$ 108.3	125.0
Shareholders' Equity (includes redeemable preferred stock)	$1,042.0	992.8
% of Reserve for Credit Losses to Principal of Finance Receivables	3.83	3.96
% of Finance Receivables with Payments More Than Two Months Delinquent:		
Loans Only (based upon recency of payment) (b)	.75	.74
Bank Credit Cards (based upon contractual terms) (c)	1.36	1.28
Number of Accounts	2.6	2.3
Average Loan Balance (dollars) (b)	$ 4,563	4,069
Average Credit Card Balance (dollars) (c)	$ 1,036	1,222
Average Account Balance (dollars)	$ 2,379	2,335
Number of Holders of Common Shares	23,700	25,700
Number of Employees (a)	8,300	8,000

(a) Continuing operations only.
(b) Loans include real estate secured and personal unsecured loans.
(c) Prior to 1982 bank credit cards were not a significant part of the receivable portfolio.

1983	1982	1981	1980	1979	1978	1977	1976	1975
96.1	64.2	16.8	54.8	57.3	66.0	60.4	55.6	43.5
18.2	22.2	50.8	50.4	46.2	38.7	28.3	19.5	16.4
(24.2)	(20.7)	(12.9)	(10.1)	(11.6)	(9.2)	(7.8)	(7.5)	(6.7)
90.1	65.7	54.7	95.1	91.9	95.5	80.9	67.6	53.2
15.5	(97.1)	(62.4)	(1.3)	8.4	2.8	4.8	32.8	20.2
105.6	(31.4)	(7.7)	93.8	100.3	98.3	85.7	100.4	73.4
3.26	2.17	1.69	3.50	3.83	4.06	3.42	2.92	2.29
.70	(4.34)	(2.80)	(.06)	.38	.13	.22	1.60	1.05
3.96	(2.17)	(1.11)	3.44	4.21	4.19	3.64	4.52	3.34
22.4	22.4	22.3	22.3	22.2	22.1	21.8	20.4	19.1
2.00	2.00	2.00	2.00	1.95	1.70	1.60	1.4375	1.25
1,581.9	1,497.6	1,509.9	1,473.1	1,009.7	769.5	640.4	536.5	460.3
423.7	449.2	484.1	423.7	271.1	181.7	140.6	111.8	97.7
103.0	114.9	108.3	107.2	102.4	70.9	65.7	60.4	54.8
1,462.1	1,414.6	1,424.2	1,344.9	882.2	612.5	499.9	415.5	359.2
119.8	83.0	85.7	128.2	128.1	154.8	140.5	116.3	95.0
1.47	1.12	.96	1.73	2.05	2.96	3.04	2.97	2.30
13.77	11.20	10.13	18.85	19.02	19.48	18.09	17.04	14.72
4.22	3.64	3.85	4.01	4.37	4.43	4.34	4.35	4.28
1.73	2.45	2.17	2.34	1.87	1.57	1.74	2.04	2.42
4,884.3	4,256.3	4,445.8	4,252.9	4,264.0	3,015.4	2,526.2	2,085.0	1,828.4
205.4	188.3	196.5	194.8	203.7	147.8	126.3	106.3	95.0
6,718.9	6,047.9	6,373.2	6,031.4	6,029.2	3,881.1	3,321.2	2,727.9	2,545.0
509.6	432.0	1,042.3	746.7	926.8	478.9	375.3	267.4	279.4
3,841.7	3,558.9	3,357.3	3,336.0	3,324.7	2,210.0	1,861.7	1,492.9	1,355.3
125.0	125.0	125.0	125.0	103.0	—	—	—	—
953.0	910.3	1,003.5	1,079.7	1,029.1	886.5	835.1	791.2	723.8
4.21	4.42	4.42	4.58	4.78	4.90	5.00	5.10	5.20
.97	1.37	1.62	1.57	1.26	1.15	1.08	1.19	1.29
1.10	1.40	—	—	—	—	—	—	—
2.1	2.1	2.5	3.2	3.7	3.0	2.5	2.1	2.0
3,741	2,889	2,366	1,802	1,508	1,333	1,289	1,186	1,327
1,164	879	—	—	—	—	—	—	—
2,313	2,048	1,811	1,344	1,154	1,013	1,031	995	911
27,400	27,700	29,400	31,200	32,000	33,200	32,700	31,700	29,900
8,000	8,000	10,400	12,100	13,500	10,300	9,700	8,900	8,600

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(6) Member of Management Development and Marketing Committee (E. Norman Veasey, Chairman)
(7) Member of Corporate Policy Committee (E. Norman Veasey, Chairman)

Beneficial Corporation is a direct issuer of commercial paper to institutional and other corporate investors. Notes are sold in amounts of $100,000 or more, for maturities of 5 to 270 days, at competitive market rates. Daily rates for Beneficial commercial paper are posted nationally on the TELERATE SYSTEM next to the symbol "BNL." For further information call (201) 781-3614.

Media representatives and others seeking general information about the Company should contact Ms. Ann Stephenson at (201) 781-3880.

Security analysts, portfolio managers, and other investors seeking financial information about the Company should contact Mr. William H. H. Ely at (201) 781-3609 or Ms. Claire R. Leonardi at (201) 781-3607.

Stockholders seeking information about the dividend reinvestment service, securities transfer matters, and dividend payments should contact Mr. Kenneth J. Kircher at (302) 798-7102.

Copies of the company's 10-K report to the SEC are available upon request from Mr. Kenneth J. Kircher, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Wednesday, April 30, 1986 at 11 a.m. in the Company's headquarters, Beneficial Building, 1100 Carr Road, Wilmington, Delaware.

Morgan Guaranty Trust Company of New York, New York is both registrar and transfer agent for all classes of Beneficial Corporation common and preferred stock.

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